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Policy conflict in Korea: The case of economic regulatory reforms

Lee, Song Ho, Ph.D.

The Ohio State University, 1992

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POLICY CONFLICT IN KOREA:
THE CASE OF ECONOMIC REGULATORY REFORMS

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of the Ohio State University

by

Song Ho Lee, B.A., M.A.

* * * * *

The Ohio State University

1992

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To My Mother
ACKNOWLEDGMENTS

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Legislative Process
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LIST OF ABBREVIATIONS

DPM Deputy Prime Minister
EPB The Economic Planning Board
(The EPB minister is Deputy Prime Minister)
MOC The Ministry of Construction
MOF The Ministry of Finance
MCI The Ministry of Commerce and Industry
MOAF The Ministry of Agriculture and Fisheries
MOE The Ministry of Education
MOT The Ministry of Transportation
MOCOM The Ministry of Communications
MOST The Ministry of Science and Technology
CPA The Council of Policy Affairs
OPC The Office of Policy Coordination
CHAPTER I
INTRODUCTION

1. Policy Conflict in Policy Making

(1) Policy making can be defined as including the process of specification of policy content, a set of policy goals and instruments. Policy content can be specified through two stages: position taking and coordination.

Usually due to their interests, beliefs, and values, major policy actors in the policy making process have not only concern for the content of the policy to be made but also some ideas and preferences for it. They internally transform these ideas and preferences into their policy positions, which are written in policy proposals or drafts and endorsed by supporters, and then push their positions externally against other incompatible positions.

Because of frequent partisan\(^1\) position taking, policy actors focus on their own goals and interests without serious

\(^1\) It means that one shares no goals or judgment criteria with other decision makers, and therefore can not coordinate cooperatively with them by applying shared criteria. Charles E. Lindblom, The Intelligence of Democracy (New York: The Free Press, 1965), pp.28-29.
consideration for negative effects on others' positions or for existing policies. Furthermore, a policy actor may push inappropriate policy instruments because of limited information and analytical capacity.

When policy actors push different policy positions from somewhat independent power bases, policy conflict ensues. Coordination among them is needed. Insufficient coordination may result in the loss of social welfare.\(^2\) Policy coordination is a process to reduce uncertainty and incompatibility by debating different positions.

Policy coordination, on the one hand, can serve either to test the validity of proposals as a set of hypotheses about policy goals and means or to determine priorities among policies. Therefore, in order for their policy position to be included with a high priority in the final content of a policy, policy actors should be able to defend persuasively preferred policy instruments and their effects on given goals, and, if goals are not agreed on, to provide sound rationales for the goal they pursue in problem situations. On the other hand, more often than not, policy coordination is used as a mechanism to share responsibility in a risky situation. Nevertheless, the policy coordination process can improve the legitimacy of the policy to be finally determined.

\(^2\) The term is from economics, meaning the reduced utility or satisfaction caused by mal-combination of goods. Loss of social welfare can approach zero by optimizing this combination.
The outcome of policy coordination will not always be what each actor intends. During the process, original policy content can be maintained, or partially deleted from or added to, or transformed into something completely new, or wholly erased. More than two policy positions can be coordinated in integrative or distributive fashion. In other words, individual policy positions may be modified to some degree and integrated into a coherent whole. Or one policy position may be included in the final content of a policy by rejecting the other position. Whose position is included to what degree is of special concern to participating policy actors.

(2) Two important pillars of policy making in the contemporary government are politicians and bureaucrats. Unlike Weber’s ideal division of labor between politicians and bureaucrats, in reality, top career bureaucrats have secured an invincible role in national policy making as the government role has expanded and policy issues become more complex. Now bureaucrats share policymaking power with politicians, although their relative policy influence has some variation across countries, policy issues, and situation.

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3 These terms are from Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York: McGraw-Hill Book Company, 1965). 'Integrative' means that the joint gains available to both parties are pursued or increased. 'Distributive' means that the gains of one party is the loss of the other party.

4 For systematic study and claims, see, Joel D. Aberbach, Robert D. Putnam & Bert A. Rockman, *Bureaucrats and Politicians in Western Democracies* (Cambridge: Harvard University Press,
The interaction between politicians and bureaucrats draws academic and practical attention because both groups of elites bring somewhat different perspectives, approaches, and values to policy making. Politicians emphasize responsiveness, innovativeness through being partisan and idealistic advocates, and articulation of broad and diffuse interests of unorganized individuals. Conversely, bureaucrats focus on technical expertise, stability through conflict avoidance and incremental solutions, and mediation of narrow and focused interests of organized clienteles. Even though both categories of principles are desired for democratic governance, they have a clashing nature and necessarily lead to a tension between politicians and bureaucrats. How to integrate substantive technical rationality and political responsiveness is of importance to the quality of policy making.

making.

In reality, neither politicians nor bureaucrats act as a coherent whole. They are split on the basis of the institutions in which they are embedded. The level of conflict, its resolution, their behavior and relative power are framed in the institutional context. The main institutional locus of policy conflict and coordination depends on institutional cleavage in each country. The most recurrent pattern of institutional cleavage across countries is an inter-departmental one for bureaucrats and an inter-partisan one for politicians.6 Exceptionally, institutional cleavage can be seen for politicians between the legislature and the government executives, as is the case in the U.S.A., or between ruling political factions in one-party dominant systems like Japan.

The familiar mode of institutional cleavage between politicians and bureaucrats in contemporary government is "the

---


For interdepartmental conflict and resolution, see... John C. Campbell, "Policy Conflict and Its Resolution within the Governmental System," In E.S.Kraus,T.P.Rohlen & P.G.Steinhoff (eds), Ibid., pp.294-334; Young-Pyoung Kim, "Inter-agency Conflict and Rivalry in a Centralized Bureaucracy: The Korean Case," Korea University, unpublished typescript, 1990.
legislature vs the government bureaucracy," "the ruling party vs the government bureaucracy," and "the political executive vs career bureaucracy." The mode of political-bureaucratic cleavage which prevails in a country might depend on the regime type and its political tradition. In a fragmented and presidential system like the U.S.A., the first and third modes are dominant. Most parliamentary systems maintain "the executive vs. the government bureaucracy" pattern, with the exception of Japan where "the executive vs. the bureaucracy" and "the ruling party vs. the government bureaucracy" modes coexist. In the Korean presidential system, which is blended with a parliamentary element, "the ruling party vs the government bureaucracy" mode is conspicuous. Therefore, if one mode is imposed on every country, as Anthony King asserts, it "blurs distinctions that ought not to be blurred and distracts attention from important political phenomena."8

One conspicuous feature of American politics is the relative lack of party discipline and the acceptance of cross-voting. For this reason, legislative members of both majority and minority parties frequently band together on some

---

7 In the case that the government political executives are occupied by the governing party members, "the political executive -career bureaucracy" relation is the mediated version of "the ruling party-government bureaucracy" relation.

8 Anthony King, "Modes of Executive-Legislative Relations: Great Britain, France, and West Germany," Legislative Studies Quarterly, 1976, p.32.
policy issues as legislative members against the government bureaucracies, while they vote on other issues along party lines. Not only inter-partisan conflict but also legislature-government conflict is recurrent.

Despite American political parties' inability to form a unified position on most pending policy issues and their lack of organizational influence, the president's party confers ideological coherence on policy content through filling political executive posts with its members.9 Furthermore, the leaders of the president's party typically accept most of his policies and priorities as their own without seriously questioning them. Also, the president's preferences aggregated in his legislative program are generally consistent with the national party platform, although not exactly identical to it.10 Therefore, the political executives carry relatively coherent policy views, regardless of bureaucratic support, when they are in office. In sum, conspicuous and recurrent policy conflicts in the American pluralistic policy making process are the legislature-government and the executive-bureaucracy conflicts, beyond inter-departmental and inter-partisan conflicts.

In parliamentary systems, political parties are usually


disciplined, and policy debates and votes are made along party lines. Partisan conflict is a way of life. And, since the governing party leaders become the government executive leaders, these leaders are responsible for enacting the party's platforms and election campaign promises, whereas the party's backbenchers watch and press the government executives in order to ensure these enactments. Basically in these systems, political views and bureaucratic views are exchanged and coordinated between the government executives and career bureaucrats.

Backbench subject groups, particularly in Britain and Germany, build party consensus on policy issues through frequent contacts with the government executives, although they are without direct contact with top bureaucrats. Even though German subject groups often invite senior officials to hear them, this contact does not seem to be a main point for policy conflict and coordination.

But in the case of Japan, there are distinctive political phenomena: 'faction politics' and 'elaborate policy organ' in the ruling party. The ruling party's subject groups (PARC divisions) can directly contact top bureaucrats without the mediation of ministers for the exchange and coordination of

---

conflicting policy views. More often than not, LDP factions see different faces of the policy issue according to their political interests and calculations. This factional feud also constitutes another policy conflict and coordination pattern in Japan.

In Korean policy making process, the government departments and political parties can be regarded as cohesive institutional actors with relative autonomy as a unit of policy conflict and coordination. The legislature and individual legislator do not constitute independent institutional actors for policy conflict and its resolution. The government department tends to form a common perspective on policy issues and acts as an independent unit in the policy process. This tendency is accelerated by sectionalism and the motives of the department minister in Korea.

Sectionalism is an attitude that develops when a specialized organizational unit tries to develop its own norms or ideology, indoctrinate its members, unify their ways of thinking, and emphasize the importance of its unit, consequently triggering inter-unit rivalry, competition, and

---

12 There is a frequent contact between LDP division members and bureau chiefs to sense each other's policy position and then to persuade each other. For detail, see, Yung H. Park, Bureaucrats and Ministers in Contemporary Japan (Berkeley, C.A.: University of California, Institute of East Asian Studies, 1986), pp. 106-107.
conflict. Sectionalism in Korea is serious at the departmental level rather than at bureau or division level. This is because there is more difficulty in optimizing national goals, more autonomy in formulating its own policy position, and more distinction in the nature of clientele groups at department level than at bureau and division levels. More importantly, the rotation of job assignments and horizontal meetings are more frequent between bureau chiefs or division heads within a department, whereas such transfers and meetings are rare between departments. Under the rotation system, an official understands or takes into account others' policy opinions because he has experience with their jobs or may undertake them in the future. Through frequent internal horizontal meetings, they adjust their policy positions to each other without explicit conflict.

The department minister in Korea has been responsible and replaced for the low performance or failure to achieve national goals under his jurisdiction even if that low performance or failure is caused by his subordinates, not

---


14 Ibid., pp.575-576. Each department tends to put a high priority on its department's goals because the optimization of national goals is harder to judge at the departmental level than at other levels due to quite different nature of affairs under each department's jurisdiction. Political support groups are more different across departments than across bureaus or divisions.
himself. Each department leader cannot but emphasize "departmental team spirit." And, since open conflicts in a department are seen as the leadership failure, no minister is likely to welcome adversarial discussions; ministers want most latent conflicts in a department to be quietly resolved before they develop into explicit ones. A staff-dining or congregation for unity\textsuperscript{15} serves this purpose. Therefore, each department has shared views and emphasizes internal harmony or unity, so that it is willing to fight with other departments to defend the department's jurisdiction, interests, and values.

Political parties compete for power. During elections, they commit themselves to public policies which they considered to be popular with their constituents. Even though their policy stances approach to a middle point,\textsuperscript{16} they still differ. Between elections, political parties formulate their solutions to policy issues, and then pass them in the legislature or press the government to accept them. Frequently their policy positions conflict with each other or with the government because of differences in their constituencies and perspectives, and of differential tactics. Even though this

\textsuperscript{15} A staff dining is a very informal setting in which members of the staff exchange drinks and develop friendships. (Young Pyoung Kim, \textit{Op cit.}, p.4). Latent or explicit conflicts are expressed frankly and dissolved through mutual understanding in the friendly atmosphere of this after-work social party.

unified policy position of a political party is less attributable to internal consensus than to internal centralization of power in Korea, a political party becomes a main unit of conflict and coordination because it acts externally as a coherent unit in the policy making process.

The legislature is consistently split along party lines. Given the disciplined party system, the legislature cannot have its own unified policy position to negotiate with the government or others. Individual legislators can seldom prepare a bill and negotiate their positions in the controversial deliberation\(^{17}\) without cooperation from their parties and the government bureaucrats, because of the disciplined party system and lack of expert staff available to them.\(^{18}\) Individual legislators can influence the policy content of controversial issues through putting their ideas and interests in the policy positions of the parties to which they belong. They act as party delegates in the legislature.

\(^{17}\) Song-Hwa Choi, "Hankukeui Ipbupkiguwa Ipbupja [Legislative Machines and Legislators in Korea]," Buphak [Law], vol.23, no.4, 1984, p.109.

\(^{18}\) Each legislator has only two staff members officially assigned, and legislature itself has no organizations of specialized expert service enough to effectively support its members' legislative activities. Even an entrepreneurial legislator could not help relying on the political party to which he belongs or government bureaucrats.

Thus, the legislature itself and legislators can not be a coherent and unified institutional actor of policy conflict and coordination.

Policy conflict in Korea is recurrent between departments, between the ruling and the opposition parties in the legislature, and between the ruling party and the government. Diverse ideas, interests, and values are channeled in the form of policy positions to these three coordination points. The presidential office is selectively involved in each conflict and coordination point.

2. The Status of the Ruling Party-Government Policy Coordination in the Policymaking Process in Korea

Thus, knowledge about the behavior and outcome at three points of institutional cleavage and about the role of the president in these points is essential in understanding the policy making process in Korea. The policy conflict and coordination between the ruling party and the government bureaucracies is of special interest here for a few reasons.

First, it is a primary, but not unique, point through which political logic and bureaucratic logic are channeled. The input of political views into the government's policies by the legislature has not been active. Although inter-party conflict has been high in the confrontational Korean legislature and the modification rate of the government's
bills in interpartisan coordination has been conspicuous,\textsuperscript{19} the quality of modification has not been significant. Despite that the resolution of conflicts is not always integrative, institutionalized policy meetings between the ruling party and the government bureaucracies are a main arena where both kinds of logic are debated and coordinated.

Second, more importantly, the ruling party and the government often have significant conflict over critical issues. Interdepartmental coordination is perceived as the most important stage in shaping the policy content of socio-economic issues. This is because original policy drafts or proposals are modified more significantly at this interdepartmental coordination stage than at other two stages.\textsuperscript{20} But interdepartmental conflicts are not equal to the ruling party-government conflicts in terms of the weight of the issue in conflict.

The ruling party is supposed to review most of policy-related measures which are initiated and implemented by the government. As shown in Table 1, the ruling party modified 19.2\% of the government-initiated legislative bills

\textsuperscript{19} In many cases, rephrasing or minor changes are made without touching the core of the government bill. The modification or rejection rate of the government bills was 57.1\% in the 11th legislature and 56.5\% in the 12th legislature.

\textsuperscript{20} Interview with government officials.
and blocked 12.1% during the period of 1982 to 1987. If cases of minor modification are removed, the number of cases modified seriously or blocked is much lower. Nevertheless, these cases are not minor issues. More importantly, in addition to legislative bills, the types of issues requiring close cooperation and coordination between the ruling party and the government are: presidential orders having critical impact on the life of the people, middle- or long-term policy direction, and pending policy problems of high popular concern. These critical issues are small in number, but of heavy weight in their economic and political impact.21

<Table 1> Government's legislative bills reviewed by the ruling party

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<td>57</td>
<td>53</td>
<td>74</td>
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<tr>
<td>Approval (%)</td>
<td>(44.1)</td>
<td>(60.0)</td>
<td>(75.4)</td>
<td>(86.8)</td>
<td>(86.5)</td>
<td>(82.9)</td>
<td>(68.7)</td>
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<tr>
<td>Modification (%)</td>
<td>(41.2)</td>
<td>(18.7)</td>
<td>(17.5)</td>
<td>(3.8)</td>
<td>(8.1)</td>
<td>(5.7)</td>
<td>(19.2)</td>
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<td>5</td>
<td>4</td>
<td>4</td>
<td>48</td>
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<td>Withholding (%)</td>
<td>(14.7)</td>
<td>(21.3)</td>
<td>(7.1)</td>
<td>(9.4)</td>
<td>(5.4)</td>
<td>(11.4)</td>
<td>(12.1)</td>
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*) Data from Ministry of Political Affairs

21 For recent examples, the size and content of new year's budgeting, the direction of economic management, major institutional reforms, the level of fulfilment of election promises, and so on.
Compared with other countries, the potential of this conflict is high in Korea for a few reasons.

Unlike its European counterparts, the Korean ruling party is not in a position of strategic superiority vis-a-vis the government. Most leadership positions in the government have been filled with ex-bureaucrats and non-partisan academic scholars, whereas only a few government ministries have been headed by the ruling party's elected politicians. Furthermore, the government's senior bureaucrats do not tend to consult with the ruling party from the start of policy making process, because they think that the early intervention of politicians can damage long-term national interests or public interests by blurring the core of policy content which may intimidate their political and partisan interests.

But the ruling party tries to control the government's policies because, it think, it is the ruling party, not the government, that is ultimately responsible for the government policy performance at the election time and because the party, as a big organizational entity, has formed independent policy positions. As consequence, the ruling party and the government are frequently in conflict over crucial issues.

Third, the ruling party-government policy coordination is a kind of important strategic clearance point. Since the

22 For a discussion of clearance points, see Robert S. Gilmour, "Policy Formulation in the Executive Branch: Central Legislative Clearance," in James E. Anderson (ed), *Cases in
government bureaucracy wants and tries to include the core of the government position intact in the final policy statements, how to pass this clearance point without serious modification is of a special concern to the government bureaucrats when they have somewhat different policy position from that of the ruling party. For its initiated policies to be effective in real situation, the ruling party must check technical and fiscal feasibility with the government.

3. Statement of the Problem

(1) A number of studies address the increasing influence of the government bureaucracy on public policy over other political institutions.²³ Now bureaucrats play a key role in developing and managing policy programs by using technical expertise and resources that they can command.

But this bureaucratic dominance tends to overemphasize the capacity of bureaucrats to develop policy programs and assess alternatives. Still, political institutions maintain their policy influence by providing policy guidelines or reviewing the proposals prepared by bureaucrats. The final

---

policy content is not always dominated by bureaucratic view. Moreover, bureaucratic do not dominate policy making everywhere or everytime. As Dogan claims, "[f]irst, these transfers have come about in economic and financial fields, secondarily in social affairs, and much less in structural and constitutional matters. .... Finally, only normal periods have witnessed this transfer of power to bureaucracy. During crises, exceptional situations, or dramatic circumstances, the power of top civil servants almost disappears, and politicians assume full power."24

Another series of studies, including comparative public policy studies, examined a theme, "Does the [ruling] political party matter to the outcome of government policy?"25 The findings of these studies are not conclusive. Some students claim that the ruling party's policy view has clear impact on the government policy.26 As Tufte admits, "[p]arty platforms


and political ideology set priorities and help decide policies. The consequence is that the governing party is very much responsible for major macroeconomic outcomes ..."27 But others question such a decisive role for the ruling party.28 Schmidt argues that "party control is of importance if certain other conditions were met."29

The point is not whether the bureaucracy or the ruling party dominates, but to what extent and under what conditions each actor matters. The government bureaucracy and the political party are functionally central to effective government. One of the key problems in every country is how these two institutions work together and are properly coordinated.

(2) Usually, since the ruling party and the government department in Korea are cooperative or reluctant to conflict, a majority of the government-initiated policies reflect the anticipated response from the ruling party and, therefore, are endorsed by the ruling party without significant modification.

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28 For example, see Richard Rose, Op cit., p.141.

For example, in the period of 1982-1987, 272 of 396 (68.7 %) government legislative bills referred to the ruling party for review were approved without modification, while 31.3 % of bills referred were modified or blocked.\(^30\) If the cases of rephrasing and minor changes are excluded, the number of cases with significant change or blockage will be far less. Nevertheless, there is often serious conflict and competition over a few crucial issues.

In order to push its ideas, the Korean ruling party can turn over policy ideas to the government department, get involved in a drafting stage of the government bill, or intervene in a review stage after the government drafting has been completed. Since most policies in Korea are drafted by the government department, more often than not without prior consultation with the ruling party, it is more common that the ruling party intervenes in the ex post facto review stage in order to change government bills to its position even though the intended effect of this intervention is not guaranteed.

The primary purpose of this dissertation is to assess the policy influence of the ruling party in this intervention. In detail, why are some interventions successful, while others are not? How much can the ruling party carry its policy position despite the government's opposition? Why should the government accept the reluctant change of its proposal by the

\(^{30}\) Data from Ministry of Political Affairs.
ruling party?

For this explanation, this dissertation attempts to explore conditions and mechanisms through which the ruling party's policy intervention is successful or unsuccessful. What factors affect influence in policy conflict between the ruling party and the government? How do these factors interact to result in policy influence? My argument in this dissertation is that policy influence and its outcomes may be determined by the strategy that the ruling party or the government exercises under the institutional constraints in changing situations.

4. Existing Literature and Significance of Study

What has been said in the existing literature about the conditions or determinants of influence that the ruling party and the government bureaucracy have on each other? The direct interaction between the ruling party and the government bureaucracy (found in Korea and Japan) has not been studied systematically and empirically enough to suggest any meaningful generalizations or theoretical constructs. Nevertheless, from unfocused and patchy knowledge which can be gathered from the literature of government, political party, and top bureaucrats, we can evaluate the state of affairs in this academic subfield and draw some insights for more focused future studies.
In Japan, whether one subscribes to the elitist perspective or to the pluralist perspective, there is general agreement that the government bureaucracy and the Liberal Democratic Party are the two most powerful institutions in the policy making process. But there is no consensus about which of these two institutions is more influential.

Traditionally "bureaucratic primacy" has been advocated by students of Japanese policy making. In Johnson's words, "although it is influenced by pressure groups and political claimants, the elite bureaucracy of Japan makes most major decisions, drafts virtually all legislations, controls the national budget, and is the source of all major policy innovations in the system." Furthermore, as Pempel argues, "the LDP and the Cabinet it controls have come increasingly to depend on the bureaucracy for the formulation of both laws and


party policies. The outline of the LDP electoral strategies, for example, ends with a list of policies proposed by individual bureaucratic agencies. ... While the aims of party and bureaucracy are not necessarily antagonistic, some primacy of bureaucratic over party organs in the earliest stages of legislative policy formulation is suggested."\(^{34}\)

This bureaucratic dominance is ascribed to several structural factors. The most often cited of these are (i) the LDP's lack of expertise and knowledge, (ii) the prevalence of ex-bureaucrats in the LDP, its policy making organs, and the Cabinet, and (iii) the short life of a cabinet. Due to the short life of a cabinet, a minister becomes the advocate of proposals pushed up to him by top civil servants of the agency he heads, rather than the initiator of policies. Since ex-bureaucrats in the LDP and Cabinet are more likely to side with the agency than with the party, when caught in a policy conflict between the agency and the party, they are the bureaucracy's instrument for control of the party rather than the party's instrument for control of the bureaucracy.\(^{35}\)

Nevertheless, a few students rebut this view of bureaucratic primacy.\(^{36}\) Yung H. Park, based on interview


data, provides systematic and empirical evidence of "ruling party dominance" as well as explanatory factors for this LDP dominance. According to him, the ruling LDP is dominant over the government bureaucracy through the LDP's advance approval in consultation and the bureaucracy's adjustment to anticipated responses in bill drafting, even though it looks like a reactive stamp of approval on the agency policy in formal policy making. When policy conflict develops between the two, ministries are to make concessions. He traces the LDP's dominant influence to several factors. The most notable of these are the specialization of politicians, the partisanization of bureaucrats, and post-ministerial upward mobility.

The specialization of politicians in substantive knowledge and administrative experience has been facilitated both by the increasing opportunities, as a result of the prolonged rule of the LDP, for LDP Diet members to serve as parliamentary vice-ministers and ministers, and by the training provided by the elaborate structure of PARC divisions and separate policy groups which sponsor policy seminars and public hearings.37 As a result, the LDP policy specialist Dietmen, affiliated with the appropriate PARC divisions and investigative committees, are better informed about some

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policy issues and their evolution than bureaucrats who are rotated frequently.\textsuperscript{38}

The LDP has made conscious efforts to partisanize the ex-bureaucrats who enter politics, through socialization, and the incumbent top bureaucrats, through frequent interaction and intervention in personnel decisions in the government bureaucracy.\textsuperscript{39} This partisanization makes the current bureaucrats more sensitive and adaptive to the goals and values of the LDP. But it alsopresses the ex-bureaucrat LDP politicians, through the internalization of these goals and values, to take their partisan and political roles more seriously than agency priorities when caught in a conflict between the two. Thus, unlike the widely held assumption, the ex-bureaucrat LDP politicians are not 'Trojan' horses that further bureaucratic interests and influence.

Concerning the short life of a cabinet as source of bureaucratic dominance, Park argues that bureaucratic recalcitrance and defiance to minister's policy preferences, based upon assumptions of bureaucratic longevity and ministerial transiency, are impossible in Japan. This is due to the likelihood, under the prolonged LDP dominance and its practice, of the minister's postministerial upward mobility in

\textsuperscript{38} Ibid., p.30.

\textsuperscript{39} Ibid., pp.46-47.
the ruling party and continued influence in agency affairs. The termination of ministerial tenure by no means spells the end of his influence and linkage with the agency. Rather, due to his ministerial experience, his views carry more weight in division decision making on matters of the policy, budget, and personnel of the ministry he headed.

Chalmers Johnson changed his initial opinion in 1986. Based on new observations of the apparent trend toward the consolidation of party leadership, he suggests three causes: the professionalization of politicians, excessive sectionalism and jurisdictional infighting within the bureaucracy, and a shift in the recruitment of political leadership away from ex-bureaucrats toward long-incumbent pure politicians.

One of problems inherent in Japanese studies is that conclusions and evidence for them are unilateral. Looking at the institutional structure in which Japanese policy making occurs, we can find the coexistence of mechanisms for bureaucratic dominance and those for LDP dominance. A group of structural factors enhance the LDP influence over the bureaucracy, whereas, at the same time, the other group of structural factors impede it. If one sees only one set of

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40 Ibid., p.86.

41 Ibid., p.81.

structural factors, one's conclusion will be distorted. As John O. Haley claims, neither the Japanese ruling party nor the government bureaucracy dominates policy making, but both influence policy outcomes.43

A majority of Korean literature reports the weakness of the ruling party against the government in policy making on the basis of the rate of bill initiation (17.7%) and the rate of bill modification (30.8%) to measure the policy influence of the ruling party. Such sources attribute the ruling party's weakness in policy making to environmental political structure such as the president's power and negative


attitude toward the ruling party, distrust of the political party, and weakness of the legislature, and the ruling party's institutional weakness, such as lack of policy expertise, lack of democracy in the party, and the ruling party's dependence on the government assistance in election process.

On the contrary, a couple of case studies report different findings. The policy influence of the ruling

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party over the government varies. More surprisingly, "when the political rationality and administrative rationality are compatible, the government bureaucrats tend to initiate the policy making on the front, but when both rationalities are in conflict, the power elite intervenes and always wins the game." Therefore, political elites always dominate the government bureaucrats in the policy making process.

But these studies have a few methodological and conceptual flaws. First, the use of these indicators inevitably is misleading and underestimates the real impact of the ruling party on government policies. Since not only many government bills are initiated at the request of the ruling party, but also the ruling party reflects its opinions on public policies through review of government bills without drafting the bill independently, the use of initiation rate leads to the underestimation of influence of the ruling party vis-a-vis the government. Also, since the ruling party does not oppose but supports a majority of government bills, especially when they address minor or technical issues, the mechanical use of modification rates can not shed light on the true influence of the ruling party. Real influence can not be assessed until this indicator is applied to controversial issues. Therefore, in order to correct these defects, dynamics


of conflict settlement between the ruling party and the government bureaucracy in terms of policy influence need to be investigated.

Second, most of these studies are not cautious in conceptualizing the scope of the government, the ruling party or the political elite. How one classifies the president, the most powerful and decisive actor in the centralized policy making structure, determines the result of conflict between the ruling party and the government. Studies leading to the party's weakness classify the president as a member of the government and assume that the president always supports the government position. In contrast, one case study regards the president as a member of power elites, including the ruling party leaders and excluding the government technocratic leaders. Consequently, their evaluations of the ruling party's influence in policy conflict between the ruling party and the government bureaucracy are inevitably contradictory. It is important to answer a pair of questions. How should one classify the president? What is the scope of the government bureaucracy or the ruling party? These are issues to be made clear in research of this field.

Overall, except for Chalmers Johnson, most of these structuralist studies derive the determinants of the ruling party's influence from the political side, without looking

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54 Ibid.
into the government side. A balanced attention is needed.

Furthermore, except for Park's study of the Japanese LDP, the existing studies do not show how these structural factors can be transformed into policy influence. In the sense that institutional structure can give some strategic superiority to one policy actor, while it functions as a constraint to the other, structural factors can be good explanatory variables. But they do not automatically lead to policy influence. Thus, a dynamic interaction between policy actors and their opportunities and constraints needs to be investigated in order to explain how these conditions turn into policy influence in infusing policy positions into the final policy output.

Third, as primary explanatory factors, institutional structure has been emphasized in most of the existing literature, while environmental situations, especially the economic situation, and strategic factors are ignored. Moreover, a majority of the literature does not show how these structural factors interact to affect policy influence and its outcome.

This dissertation aims at overcoming the weaknesses of the existing studies and providing a comprehensive framework for the explanation of policy influence and its outcome by exploring its mechanism and conditions.
5. Organization of Study

This dissertation is organized as follows. Chapter 2 deals with research strategy. Broad research questions defined above are elaborated into detailed analytic focuses. The coverage and depth of analysis is designed to complement the existing partial findings. As a methodology for this study, the case study is introduced and compared with other research methods. How this case study can contribute to this study is discussed. Then, this chapter describes criteria applied to selecting cases, interview questions and procedure employed in collecting data, methods used to analyze cases, and devices used to check the validity and reliability of research findings.

Chapter 3 deals with the policy coordination mechanism between the ruling party and the government in Korea. The formal and informal aspects of position taking and coordination are examined. Its historic origin, internal position taking process and behaviors, coordination channels, main players in this coordination, and the role of this machine over time are briefly reviewed. The purpose of this examination is to help readers understand basic operations and behaviors of this coordination machine, to show the context in which the policy conflict and settlement have occurred, and to clarify the aspects of policy coordination that this research deals with.

Chapters 4 and 5 analyze two regulatory reform cases.
The first section describes the background of the problem, the different policy positions advocated by the ruling party and the government, and their coordinated outcome. The second section describes chronologically the process of policy conflict and settlement. This description focuses on strategic actions and interactions between the ruling party and the government. In the third section, the mechanism of policy influence and its explanatory factors are traced. Relevant data and evidence are rearranged to answer a few questions which are set for the preliminary identification of the mechanism of influence and its determinants.

Chapter 6 suggests an explanatory framework for future analysis of policy conflict settlement between the ruling party and the government. Before this suggestion, preliminary findings from two case analyses are compared and discussed for more elaboration. Also, other rival explanatory frames acclaimed by some officials and outside observers are examined.

The final chapter concludes this study by discussing the contributions of this study to existing knowledge, the implications of this study to party reform and government strategy, and limitations inherent in this study. Future research questions are also suggested.
CHAPTER II
RESEARCH STRATEGY

1. Analytic Focuses

(1) The primary phenomenon to be explained is policy influence in a policy conflict. Policy influence is defined as the degree to which each side (particularly the ruling party) can get its policy position included into the final policy output of the policy conflict settlement process. Whose position gets included to what extent can be assessed by checking the content of the policy position each side pushes and that of the finally settled output.

Why has the government or the ruling party been successful in pushing its policy position? How does each group push its policy position against other group? To give more focus, why and how can the ruling party intervene and change some government policies successfully despite the latter's opposition? Why and how does it fail to change other government policies? To answer these questions, this study explores the mechanism through which policy influence is channeled and the conditions under which this influence can be effective.
(2) As the review of literature demonstrates, the existing studies in Korea and Japan point to party structure and political structure as a source of the ruling party's policy influence.

In Japan, even though the relative influence of the ruling party is controversial, a number of factors contribute to explaining ruling party influence. The elaborate structure of LDP policy organs, the presence of expert Zoku members, politicized bureaucrats, the prolonged dominance of government by LDP, the life of Cabinets, and the prevalence of ex-bureaucrats in the LDP are all important as determinants of the ruling party's influence. In Korea, the weak influence of the ruling party over the government is attributed to the president's power and negative view of parties, social distrust of the party, the weakness of the National Assembly, the lack of expertise and democracy in the ruling party, and the ruling party's dependence on the government in the election.

What advantages and disadvantages can this structural explanation have? Since these structural variables must be able to explain relatively stable tendencies, they help not only to predict the future party influence on public policies, but also to compare party influence across countries. But since 'structure' does not change in a short time, the party influence should be similar across policies and over time unless the given structural arrangements change between the
ruling party and the government. If the output of policy conflict settlement between the ruling party and the government has variation across policies without basic change of structure, how can we explain this? Structural variables alone are not enough to explain variations in party influence, even though they still contribute to policy influence.

The purpose of this study is to contribute ultimately to the development of a more elaborate explanatory theory for policy influence of the ruling party over the government. For this purpose, this study attempts to explore additional explanatory sources and their relationship in order to improve the existing theory. How and where can we explore new explanatory factors?

(3) As discussed below, this dissertation relies on case study method. The pure exploratory case study starts with little theoretical framework. But in doing a heuristic or hypothesis-generating case study, the investigator needs to develop an initial provisional theoretical construct or a preconstructed checklist of variables because data collection, analysis, and interpretation can not be well guided without such a theoretical construct. At the research design stage,

case studies for the exploration of explanatory factors should posit at least theoretical assumptions.

In the course of pushing policy positions in conflict, each participant acts with constraints and opportunities. Constraints may hinder the effectiveness of such efforts, whereas opportunities may pave the way for them. Opportunities for one policy actor can serve as constraints to the other, and vice-versa. What are the constraints or opportunities in the context of policy conflict settlement between the ruling party and the government? The most important ones can be assumed to be institutional structure and issue environment. They can not only hinder but also facilitate the effort of the party or the government.

These constraints and opportunities may or may not be perceived by the participant. Some of them might operate during the whole conflict process, while others emerge and then disappear. Policy actors can improve effectively their influence by identifying and utilizing adroitly these opportunities in the face of certain constraints. That is the reason that strategy should be taken into account.

Thus, the policy influence of the ruling party or the government over the other is assumed to be a combined outcome of institutional structure, issue environment, and strategy. This dissertation intends to show what factors can be picked up in these dimensions for the explanation of policy
influence. This conceptual assumption served as a starting point to guide but not limit the study.

A variety of variables along these dimensions have been examined as determinants of policy outcome or of participant's influence, even though not in a context of the ruling party-government conflict. They have played a role in comparative policy output studies, government agency decision making studies, party impact studies, and studies of bureaucratic or political executive influence.


Issue environment here is made up of socio-economic conditions, events and trends that can be related to the issue at hand. Socio-economic situation was represented by urbanization, income, industrialization, and education level in policy output studies, whereas it was represented by economic growth, labor strikes, income, exports and imports, inflation, etc., in party impact studies.

Institutional structure is regarded as the primary determinant of the relative influence of the ruling party or the government bureaucracy in the European parliamentary context. Political executives' dominance is maintained by their strategically superior position as well as the professional orientation of bureaucrats to take political constraints seriously and avoid conflict and confrontation.

with politicians. Nevertheless, the bureaucratic influence can prevail over that of political executives under certain conditions: administrative centralization in the government bureaucracy, expansion of bureaucratic staff in the government political offices, a plurality of powerful social groups, the lack of a powerful and stable political leadership, and the fragmentation of party system and parties.

In the studies of policy output and bureaucratic or political executive influence, political structure has been represented by relative party strength, party competition, and the fragmentation of the political power structure (for example, political centralization/decentralization and federal/unitary system). As the internal organizational sources of influence, leadership (power, policy view, etc.) and organizational resources (information and expertise, jurisdiction, budget, administrative tools) have drawn attention.

Strategy has been regarded as an important source of influence in the American context. It comes into play when actors seek policy change over the opposition of bureaucracy or when bureaucrats try to push proposals through political executives and Congress.

To add to the accumulation of knowledge, this study attempts to dig out and connect some appropriate variables in these dimensions, keeping an exploratory eye open for newly emerging concepts.
What strategic actions does the party or the government take to push its policy positions? What conditions constrain or enhance the effectiveness of these strategic actions? How do these environmental and structural factors work during policy conflict and its settlement? Do they help or constrain the ruling party or the government in building policy influence, or do nothing? Is there any additional dimension in which new variables can be explored? These questions provided a guide to data collection and analysis.

A comprehensive theory does not exist currently to explain the policy influence of the ruling party over the government. As indicated in the literature review, research findings are controversial. The intent of this research is not to prove or disprove these conflicting claims, but to look for what might be missing. Ultimately new findings and existing knowledge will work together to form a new, more complete conceptual framework which is grounded in the data.

2. Methods and Data

(1) Case Study for Theory Development

Advantages and limits of the case study method for theory development have been debated in comparison with other research methods such as experimental and statistical research strategies.

First, a case study is a useful research strategy when
the researcher wants to get answers to 'why' and 'how' questions and when he can not control behavioral events.\(^6\)

Even though the statistical method is accurate and elaborate in measuring the degree of association between variables, it can not illuminate causality. The direction of causality must be assumed theoretically. But since case studies can be used to trace a sequence of events leading to a particular phenomenon and to eliminate a spurious relationship,\(^7\) it can suggest causality. The experimental method is superior for finding cause-effect relationships, but it requires control over conditions which is hard to secure in social science. But case studies need no control for causality because they explore events within their real-life contexts.

Second, the case study is a useful research strategy in generating new concepts and hypotheses and elaborating upon existing concepts and hypotheses.\(^8\) Through exploratory case study empirically grounded concepts and hypotheses can be generated in areas where no theory exists yet. It is important to note that most hypotheses investigated later with

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correlational techniques are originally generated from case-study material. Through a heuristic case study the relevant additional variables not considered previously can be uncovered. Through a deviant case study the existing concepts and hypotheses can be refined.

Traditionally the case study has been disdained as a useless method because it can not generalize the findings, and disprove or confirm established generalizations. But case study adherents rebut this claim. In terms of the logic of generalization, the case study is quite different from statistical method, but similar to the experimental method. Generalization from case studies depends on replication rather than on representativeness of sample.9 The findings of case studies are not generalized to a large number of cases on the ground that the case selected is a representative miniature of the large universe. Rather, in the case study, the generalization is made on the ground that a set of findings can be replicated in other case(s) with similar conditions. The successful replication means that a theory extracted from original findings can be generalized to many other cases.

Case studies also can invalidate or confirm theories by using 'most-likely' or 'least-likely' cases10 or cases that

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10 Eckstein, Op cit., pp.113-123.
are extreme on one of the variables in the proposition.\textsuperscript{11} If a set of theoretical results are not found in other case where these results are the most likely to emerge, the original results can not be validated. If a set of theoretical results are found in other cases where the same results are the least likely to occur, these theoretical results can be confirmed.

Another criticism of case studies is that they lack methodological rigor so that they allow equivocal evidence or biased views to influence their findings and conclusions.\textsuperscript{12} Case studies may have some weaknesses in this rigor. But they can improve the validity and the reliability of the findings through using multiple sources of data and checking rival interpretations. Moreover, even more elaborate research strategies can not avoid biases and errors in handling data and reaching conclusions.

This study relies on case study method for a few reasons. First, there are no recorded aggregate data in Korea about the ruling party-government relationship. Most Korean party bureaucrats do not feel a need to record events and data. Since important conflicts are coordinated secretly outside of formal channels, staffs cannot know the process and only the outcome is recorded. Data and records they can make about some open events are trivial for a later use. Therefore, they are

\textsuperscript{11} Lijphart, \textit{Op cit.}, p.692.

\textsuperscript{12} Yin, \textit{Op cit.}, p.21.
not interested in making data and records. The government bureaucrats recorded major events and keep relevant data. In relation to policy coordination with the ruling party, they recorded participants, topics, dates, and the abstract results of the meeting. But they are not recording what happened there and why. Even these minutes of some controversial issues are classified and never released to even other interested officials. In this environment, the plausible way to get data at a low cost is the case study.

Second, this method can show vividly a dynamic process of interrelation between the ruling party and the government, and trace a chain of events, if there is any, leading to a particular outcome. Other research strategies can not handle appropriately this dynamics in the process.

Third, more importantly, the purpose of this dissertation is to uncover additional variables for explaining the policy influence between the ruling party and the government in Korea (heuristic case study). It is to construct inductively new concepts and an explanatory framework. The case study is a more convenient, if not unique, way to do this work.

(2) Case Development

Case Selection

To analyze policy conflict and its resolution between the ruling party and the government, two cases of regulatory reform policies are selected: (1) Regulation on Upper Limits
of Housing Lots and Extra-profits from Land Development and its Holding; (2) Regulation of Fictitious Names in the Trade of Financial Assets. These cases are of special relevance for the analytic purposes of this dissertation.

First, these two regulatory cases brought about a high degree of conflict between the ruling party and the government. They were controversial and salient issues that could best illustrate the nature of interrelationship between the ruling party and the government. Even though both sides agreed on the rationale for regulation, they seriously disagreed over regulatory instruments. The aftermath of conflict still reverberates between the proponents and the opponents. At first glance, these cases seem to be sufficiently typical to show the basic mechanisms of conflict resolution between the ruling party and the government in Korea.

Second, both cases are comparable in the Lijphartian sense. They are similar in a number of important characteristics, but dissimilar with regard to variables between which a relationship will be established.

In terms of policy nature, both are regulatory policies with redistributive effects. The first policy was designed to prohibit both extraordinary housing lot in major cities for the benefit of homeless people and extra-profits beyond normal levels from land development and investment for the public interests. The second policy was to regulate the use of
fictitious names as means of tax evasion and tax-free inheritance in the financial market.

Legislation of both policies started in the same socio-economic and political context. Land speculation and an abnormal financial market were chronic problems with the Korean economy. There have been sporadic, ineffective attempts to cure these problems. These policy problems were revitalized, given the situation of political democratization and economic optimism, in order to respond to louder voices of the working class and to establish a more efficient and justifiable economy. The government positions were welcomed unanimously at first by public opinion.

Despite the similarity in many other aspects, the outcome of conflict resolution in these two cases was different. The land regulation case was resolved in favor of the government, whereas financial regulation was decided in favor of the ruling party. These aspects of the issues lessen the problem of "many variables, small number of cases" by creating some control of conditions in the experimental sense. Therefore, they provide cues in this exploratory investigation about where to look for explanatory factors associated with the different outcomes.

Data Collection

Data were collected from two main sources in order to
provide a complete picture of the process. Everything that appeared to have relevance for the study was collected from documents including government reports, legislative records, analytic papers, monthly magazines and daily newspapers. Nevertheless, the main data source was interviews with participants in the policy conflict and settlement.

**Interview Questions:** The purpose of this investigation is to identify explanatory factors and the mechanism of policy influence, and to make statements about these factors. Basic interview questions were framed based on this purpose, the research questions, and the theoretical assumptions mentioned above. These questions were focused on tracing the actions, interactions, perceptions, and judgments in the conflict settlement process. Some additional subquestions were improvised to clarify interviewees' points and to check the plausibility of alternative variables and interpretations.

While basic questions were the same throughout the interviews, individual subquestions were added or deleted based on the experience and knowledge of the interviewee.

Interview questions were open-ended because the issue of policy conflict and settlement was complex, the relevant dimensions were not known yet, and the interests of this research lies in the description of the process and the exploration of explanatory factors. In short, the investigator

13 For interview questions, see Appendix B.
should not arbitrarily impose his perspective and ideas on reality during data collection stage, even though the investigator's imagination, logic and perspective are important in inferring theoretical generalizations from experience.

Selection of Interviewees: For more accurate, trustworthy and comprehensive data collection, originally the interview was targeted at all participants on both ruling party and the government sides who participated in the policy conflict and settlement process. But because of the difficulty of access, a few high-level important persons could not be contacted.\footnote{14} Actual interviews took place with 39 persons, primarily the occupants of relevant positions in the ruling party, the government, and the presidential office when the issues were at stake, and, secondarily, some observers of these controversial policy making processes.

On the ruling party side, included were two former CPA chairmen, one OPC director and his policy aide, one OPC vice-director, two relevant legislators, and six officials in the Bureau of Policy Affairs. On the government side, former EPB, MOF, and MOC ministers, two bureau chiefs, and other government officials were questioned. Two former presidential economic advisers and one aide of the current presidential economic adviser were also interviewed.

\footnote{14} The current president, the Party Representatives of the ruling party, and the current chief presidential economic secretary.
Another group of persons contacted were three reporters (vice-chiefs, department of politics and economy) of the a few daily newspapers, a couple of researchers, and a few professors.

Procedure: For the development of these two case studies, interviews and literature review were executed for the period of July to October, 1991.

<1> Newspapers and monthly magazines were examined to map out the process of policy conflict and settlement by checking publicly known events, actions, and interactions. This review helped identify who participated where, what event occurred when, and what were the overall ups and downs of the conflict process. An initial chronological map was drawn on the basis of this review.

<2> The key interviewees whom I did not know personally were contacted through the arrangement by a person who was in intimate relation with him. This was a time-consuming job.

<3> The number of interview questions was determined by the time respondents could make available for the interview. This was designed to avoid losing information that other participants might not provide. For this purpose, the priority of questions was fixed in advance according to the known role each person played and the phases of conflict

15 These go-betweens were my professors, friends, and school alumni with whom I have been well acquainted.

16 Interview hour ranges from 15 minutes to four hours.
and settlement in which he was involved. Busy interviewees were asked a few key questions about which they might be knowledgeable, while interviewees eager to allow more time were questioned in detail about the whole process.

<4> In actual interview, the truth of reported facts was checked, and the unreported new actions, interactions, and turning points were identified, to complement the original map based on reported information. Perceptions of and strategic judgments about constraints and opportunities by key actors were traced in detail. Some interviewees were cautious about revealing their own or their team's strategic failures, but free to talk about rationales for their policy positions.

In this process, the original map and other interview results were cautiously used not only to trigger the memory of interviewees, but also not to avoid the repetition of already confirmed stories. Notes were taken during interviews. Throughout the interview, an open exploratory stance was maintained.

<5> After each interview, the result was examined to check any inconsistency with other documentary or interview data, and to find out what additional questions were needed and where the answers could be obtained.

<6> Most interviews were made in the offices of the

17 Few knew a whole process. Each participant was aware of what happened in the stage where he was involved, and, beyond that, he guessed.
interviewees. But a few core participants (in terms of the depth and the width of his involvement) allowed me interviews outside their offices for a few hours.

<7> Similar questions and procedure were repeated in both regulatory reform cases to check what factors covaried with different outcomes.

(3) Case Analysis

This study aims at indentifying variables and conditions that can account for the different output of policy conflict, and finding out causal patterns associated with the output. For this exploratory purpose, the following methods were employed to analyze two regulatory reform cases.\(^\text{18}\)

First, "within case" analysis was used together with "cross-case" method. Under certain conditions, individual factors exerted little influence on an outcome, but when joined with other factors they exerted high level of influence. In this situation, "within-case" analysis is superior to "cross-case" analysis because it enables to identify an intervening variable and therefore construct a causal path, if any exists. But to determine some explanatory factors that covary with a dependent variable, "cross-case" analysis was be used.

Second, the "process-tracing" method was utilized, rather than "congruence" method. Since the outcome is assumed to be a product of a chain of events, this dissertation does not intend to investigate simply the covariation between the conditions (explanatory factors) and the outcome (dependent variables). It will show how different policy positions, influence, strategies, and constraints are processed. Furthermore, no deductive theory for the "congruence" method was established in this study. Spurious relations are hard to check by the "congruence" method.

Third, chronology, backward tracing, and rival explanations were utilized to infer causal patterns. Without an assumed theory, a chronology of events is the most convenient way to infer a causal relation. But this crude method is prone to bias and error. To correct these faults, rival explanations were considered.

Causal factors will be traced backward from the policy outcome through intervening variables to independent factors. In this tracing of causality, the following questions will be kept in mind: What factors can be related? Are they chronologically in sequence? Is there any rival factor?

(4) Validity and Reliability

Validity refers to the accuracy with which study findings can match real conditions, while reliability refers to the extent to which studies can be replicated. Member checks, peer
debriefing, triangulation, and audit trails were used in part and in a limited way.\(^{19}\)

As to data validity, because interview arrangements were made by persons in intimate relation with interviewees, they seemed to say what they know as frankly as possible. Nevertheless, data and information coming from interviews were checked with other interviewees who participated together in the same phases of conflict process (member check). Any dubious information was held in reserve for possible support from other sources. But this member check was done very cautiously and limitedly on sensitive strategic issues on which interviewees did not want what they said to be known to others because it might cause personal hostility. Newspaper reports were also checked with relevant interviewees. But a

\(^{19}\) In case study, triangulation involves cross-checking data and interpretations by drawing on different data sources, methods, and perspectives. Member checks means that data and interpretations are tested with members from whom data are solicited. Peer debriefing is to provide inquirers the opportunity to test their growing insights and ideas by exposing them to diverse confirmatory or challenging questions. Member check and peer debriefing are two methods which entail asking others if the data are accurate and if the interpretations are plausible. Audit trail is a guide by which an external auditor can examine how data are collected and analyzed, and interpretations are made, and then judge its appropriateness.

whole story of policy conflict could not be checked with key members of the conflict, not only because some members did not want it to be done between proponents and opponents, but also they were too busy to do so.

For the validity of inferences, a couple of professors and a few newspaper reporters were frequently contacted during the interview to check whether my inferences were sound (peer debriefing). These reporters suggested two inferences, somewhat different from that kept in my mind, about success and failure of two regulatory reforms selected here. These two inferences were checked by asking opinions of key participants on the ruling party and the government sides. These two alternative hypotheses will be discussed later.

For reliability, if a later investigator conducts the same case study through the same procedures, he should be able to arrive at the same findings and conclusions. One popular suggested way for this reliability in case study is to describe procedures clearly enough so that others can reconstruct them and corroborate them. Without such description, others will be suspicious of the reliability of the study. The procedures specified above can serve to make this study reliable.

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(5) Description of cases

The two regulatory reform cases were described separately and chronologically. In each case, a few milestones along the policy conflict and settlement process were identified and displayed in chronological order. The milestone was defined here as a main event where policy content and commitment are changed. Actions and interactions, leading to each milestone, between the ruling party and the government, were described.

This chronological description of events is a starting point for the inference of causality in the conflict process. But for more sound inference, perceptions and judgments of key actors as to these actions and interactions, together with relevant statistical data if necessary, were inserted in analysis section.
CHAPTER III
THE POLICY COORDINATION BETWEEN THE RULING PARTY AND THE GOVERNMENT IN KOREA

1. The Role of Policy Meetings between the Ruling Party and the Government

The formal lawmaking process in Korea is similar to that of the American presidential system, with the exception that the Korean government can draft and submit the bills directly to the legislature.\(^1\) Individual legislators can submit legislative bills by drafting them and obtaining endorsement from 20 or more legislators. But in many cases, political parties draft bills and submit them to the legislature in the names of individual legislators belonging to the party. The government has submitted a relatively large number of

\(^1\) The current political regime in Korea is based on presidential system with a tint of a parliamentary system. Legislative bills can be submitted by individual legislators or the government. Even though the president and legislators are selected in separate elections, legislators can be appointed government minister or vice minister. The power structure can be characterized by a strong president, a weak legislature, disciplined parties, and well-educated bureaucracies of high caliber. As democratization is advanced, the power of the legislature is increasing.
legislative bills and passed them in the legislature.\textsuperscript{2}

A government legislative draft is made by a relevant government department. The new legislation is triggered by a presidential directive, or the ruling party's demand, or the department's own judgment. Amendments of laws can be initiated by requests from the Board of Audit and Inspection, other departments, implementing local agencies, or interest groups.\textsuperscript{3}

Then, legislative drafts go through coordination debates with other interested departments and the ruling party to iron out differences of opinions and interests. After passing these conflict settlements, the draft is sent to the president for approval and then to the legislature for legitimation.

A political party's proposals are formulated in the policy making organs of each party. Usually, legislative members and staffs of the Council of Policy Affairs draft and deliberate a proposal. Then the party's supreme decision making organ examines and finally approves it as an official policy of the party. In case of the ruling party, the Council of Policy Affairs consults with the government to check the

\textsuperscript{2} Government initiation rate amounted to 58.5\% for the period of the first to 11th national assemblies. The passage rate of government's bills was 66.4\% for the same period. See Dong Suh Park,"Euihoe wa Hangcheongboo Kwankye eui ryuksajuk Byuncheon [ Historical change of the legislature-government relationship ]," in Dong Suh Park and Kwang Woong Kim (eds), Euihoe wa Hangcheongboo [ Legislature and Government ] (Seoul: Bupmoon Sa, 1989), p.18.

\textsuperscript{3} See Song-Hwa Choi, Op cit., 1984, p.95.
implementability of the bill (e.g., budget availability, technical constraints, etc.). A party's legislative draft is sent in the name of individual members to a national legislature for legitimation.

In the legislature, the draft is debated, negotiated and voted on by the disciplined political parties in the standing committee and the floor, regardless of whether it is submitted by an individual legislator or the government department.

In this law-making process, inter-departmental, inter-partisan, and ruling party-government interactions constitute core subprocesses which can change the substance of original policy drafts. Controversial issues in the legislature are ironed out between the political parties in a meeting of negotiation representatives outside of the standing committees or the floor. For this negotiation, interparty meetings of whips or secretary-generals or CPA chairmen, or a mix of them, are used. When these meetings failed to settle conflicts at hand, the meeting of party presidents is often held. Individual legislators serve as a spokesman of their party position. Policy conflicts between departments are coordinated through formal and informal channels, as shown in the subsequent sections.

One distinctive feature of the Korean policy making process is the institutionalization of the ruling party-government policy coordination, as is the case in Japan.
Policy coordination between the ruling party and the government is made primarily to reflect the ruling party's opinion on the government-initiated bill, or sometimes the government's opinion on the ruling party-initiated bill.

The establishment of the policy coordination mechanism dates back to the mid-1960s. Under the 'responsible party government' ideology, the new ruling party of the time prepared a scheme of policy cooperation between the ruling party and the government, and asked the government for its execution. From the party's point of view, although the ruling party shares with the government the responsibility for the management of state affairs, it is the ruling party that assumes ultimate political responsibility for government policies, because the government's policy success or failure is directly linked to votes in the election.

Key components of the scheme were: (1) to regularize policy consultation meetings between the party and the government for cooperation in policy making and confirmation of the implementation results; and (2) to screen the government bills by the party's policy machines before they were referred to the legislature.

After twists and turns, the president finally issued a few directives. According to the presidential directive,

4 They included: <1> Advance consultation with the ruling party about the appointment of major government positions; <2> the government's cooperation in advance with the ruling party in making and implementing public policies; <3> the establishment of regular meetings between the ruling party and
policy consultation meetings were set up between the ruling party and the government. Channels established at that time were Blue House Government–Ruling Party Joint Meeting, Prime Minister–Party Representative Meeting, Deputy Prime Minister–CPA Chairman Meeting, Economic Policy Consultation Meeting, General Policy Consultation Meeting, and Party–Government Practical Planning Committee. This basic structure and its operating process have been maintained with minor changes in 1973, 1982, and 1985.

Through these channels, the party can formally participate in the making of public policy, and the government can secure the ruling party's unanimous support against the opposition in the legislature. For the ruling party which lacks substantive expert staff, this deliberation and coordination is a convenient mechanism through which it can reflect its values and interests efficiently on public policy without doing time- and energy-consuming research and paper work.

The role of this machine has seen ups and downs over time\(^5\) in proportion to the weight of the ruling party in the political regime. Under the authoritarian regime in the 1970s, it worked as a channel for just delivering the party's requirements to the government to discuss the national problems at stake; \(<4>\) a minister without a portfolio's charge of smooth relation between the party and the government.

opinions over only a few issues. It could neither deliberate and modify effectively the government bills nor push hard its policy position. Inter-departmental conflict and coordination had more weight under this regime. The party-government conflict and coordination has gained more weight since democratization in the late 1980s.

The ruling party pushes its policy position against the government on the basis of public opinion or its independent judgment. But in inter-partisan conflict, it usually defends the government's position. More often than not, it serves as a broker in inter-departmental conflicts. In either case, the ruling party-government policy coordination is basic axis. In the following sections, how the party and the government formulate their policy proposals and how both sides coordinate the difference are examined in detail.

2. Position Taking

Government Position Taking

Formal decision making in a department follows a bottom-up process in the hierarchy. The bill is written by an official in charge, and then discussed with the division chief and modified if they agree. If the bill needs cooperation from another division, it is referred to that division. These discussions, referrals and modifications climb a hierarchical
ladder, from bureau chief to vice-minister to minister. The bill is finally approved by the minister. This is the formal process of determining the department's policy position.

But actual decision making is closer to a top-down process. Before the bill is written, the department leader first examines the problem and then issues a guideline. In this guideline, he can set out the nature of the problem, goals or values to pursue, tentative alternatives, and the subunit-in-charge. Otherwise, he can only designate a subunit-in-charge and authorizes it to examine all the matters. This designated subunit can be a departmental hierarchy or a special ad hoc task force. Usually he sets goals and designates a subunit.

The subunit specifies the problem to solve, goals to pursue, and alternative(s) to choose, and then reports them to the department leader. The leader can modify them according to his policy view, or, if not satisfied, he can order the subunit to reconsider them. This process is repeated until the outcome is satisfactory to the department leader. In many cases, examination and analysis by subordinates serve to rationalize the leader's idea or position, and therefore the selection and interpretation of data and information tend to

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be subject to bias or prejudice.\textsuperscript{7}

The department often consults with research institutes, academic experts\textsuperscript{8} or interest groups to gather data, ideas, and information about the issue or to probe for implementability. But on crucial issues, bureaucrats are reluctant to consult with outsiders in this drafting stage. The core content is set by bureaucrats themselves, and then comments or supplementary advice is sought. In many cases, the actual policy content (goals and means) is not much affected by these outsiders.

When the issue is critical\textsuperscript{9} or of special concern to the president, basic ideas and supporting data for a bill are frequently reported to the presidential office. After getting endorsement or direction from the presidency, the subunit in the department speeds up the remaining work of bill-drafting.\textsuperscript{10}

\begin{flushleft}\textsuperscript{7} See, Suk-Joon Cho, Op. cit., p.262. Subordinates prepare a few alternatives and compare them. But actually the alternative to be selected is determined in advance and other alternatives are ornaments.

\textsuperscript{8} For this consultation purpose, many departments established research institutes under their control ( e.g., KDI under EPB, KIET under MCI ) and made a list of academic experts with the department's affairs.

\textsuperscript{9} "Critical" in the sense that it can cause high conflict with other policy actors in the later stage or its impact is expected to be enormous.

\textsuperscript{10} Chung-Kil Chung, Op. cit., 1988, p.578.\end{flushleft}
In any case, after the substance of the bill is determined in this informal and top-down way, the formal bottom-up process of drafting follows. Therefore, this bottom-up process is usually accompanied by minor modification or rephrasing. New ventures, innovations or reforms, are always initiated by a few leaders at the top echelon.

After ministrial position is formulated, contacts are made with relevant departments for opinion exchange and consensus building. The formal mechanism for inter-departmental policy coordination is the State Council and the Conference of Vice-ministers. Depending on the issues, the Economic Ministers' Conference or the National Security Council deliberates the draft in advance.

One characteristic of this inter-departmental coordination is that it occurs at multiple points in sequence, and the later coordination is not formally constrained by the outcome of prior coordination. A department that is unsatisfied with the outcome at one point can raise the issue at the later coordination points. And since the multiplicity of coordination points can delay policy making, in the case of urgent bills, powerful departments can skip the vice-ministers' deliberation.

Because of rivalry or competition, each department is unlikely to allow other departments' interference in the initial intradepartmental drafting stage.
Another characteristic is that, in terms of the modification rate of legislative bills and discussion time per bill,\textsuperscript{12} these formal meetings, especially in the State Council, are not effective conflict resolution mechanisms. While formal meetings usually aid the exchange of opinions and the identification of position gaps, informal and secret negotiations, in a private and friendly atmosphere, work as a


According to Kim's calculation of unmodified clearance rate from 1981 through 1987, cabinet meeting recorded 73.5\%, meetings of vice-ministers at 72.7\%, but economic ministers' meetings at 60.9\%.
more effective mechanism for conflict resolution.

The ineffectiveness of formal coordination meetings is partially due to the following two tendencies.

First, the members of formal meetings, particularly the State Council meetings, are likely to act as a representative of each department, rather than as a member of a collective deliberation body. Compared with the cabinets in a parliamentary system, the State Council of Korea has no coherence to act as a unit and therefore no shared responsibility for policy failure. Each department leader is responsible for policies under its jurisdiction. And the discussion of issues unrelated to his department can put him at risk of revealing his ignorance or cause him to be seen as unwanted interference. Thus, if policy positions clash, they are referred to further informal coordination between the parties involved, rather than settling them on the spot.13

Second, Korean bureaucratic leaders tend to think that open conflict in formal meetings should be avoided to save face of each other and that the formal meeting should be finished quickly and with unanimous consensus.14 Therefore, the department facing a controversial issue probes for the

13 After a formal meeting is finished, an informal social gathering is often held. Frequently, serious debates and coordination occur in this social gathering, or informal negotiations between senior bureaucrats and between ministers reopen.

atmosphere and attitudes of other departments and, accordingly, makes self-adjustments or initiates informal face-to-face negotiations.

In informal conflict resolution, the ministry negotiates first with those who seem to be easily approachable, and then presses the rest with the coalesced opinion. Most of the technical substantive details are ironed out in advance, through informal meetings of senior career bureaucrats. Of course, during this informal contact, a senior bureaucrat frequently consults with his department leader. Some political conflict or a deadlock of sublevel negotiation is settled through private communication between department leaders.

If this informal horizontal negotiation resolves the interdepartmental conflict, then the formal meetings for deliberation and coordination are ritual. Since unsolved issues in informal negotiation are scarcely settled in formal coordination meetings, in this case, departments tend to appeal to the presidential office or the ruling party.

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16 Many government officials indicate the importance of bureau-chiefs' meetings as effective coordination mechanism of policy substance. Also, see the proceeding report of Comprehensive Land Tax Law (Ministry of Domestic Affairs). In this case, most controversial issues were agreed upon by frequent meeting of bureau-chiefs, not by the Economic Ministers' Conference.

17 Under a highly authoritarian regime, the department leader tends to get presidential approval of his department policy position in advance and reject other departments' opposition or intervention in the interdepartmental
or, more often than not, to public opinion.

Party Position Taking

An entrepreneurial legislator can draft a legislative bill with the assistance of party staffs and his personal staffs, and submit it to the legislature after it is examined and approved by party policy making organs. But a recurrent pattern is that political parties draft a bill and submit it to the legislature in the name of an individual legislator belonging to the party. Let us look at the process and characteristics of the internal decision making of the ruling party. 19

The supreme organ for party decision making is a Party coordination stage.

18 Often the ruling party's opinion helps settle the interdepartmental conflict. For example, see the proceeding report of Comprehensive Land Tax Law (Ministry of Domestic Affairs).

19 As of 1989, the organizational structure and process of the opposition parties is similar at the root to that of the ruling party. The difference is that the latter is more elaborate and specified, while the former is rudimentary and simple.

The ruling party consists of representative and executive machines and other special committees. The representative machine is made up of Party Conferences and its delegate, Party Central Committee with about a dozen subcommittees, at central, provincial and local levels. The executive machine contains secretarial organs, policy organs, and parliamentary organs under a Central Executive Committee. The secretarial machines are offices of secretarial works at central, provincial, and local levels. The policy organs are the Council of Policy Affairs and the Institute of National Policy Studies. The parliamentary organ is a General Meeting of Assembly Members.
Conference. But since the Party Conference is a meeting held every other year, it is not appropriate to respond effectively and timely to decision request in the changing situation. Rather, the Central Executive Committee plays a key role in actual decisions on policies and personnel. Policies approved by this committee become the official policies of the ruling party.

Formally the Council of Policy Affairs drafts and deliberates policies the party pursues, and then the Central Executive Committee makes a final decision on them. The Council of Policy Affairs has divisions as a policy

20 Party constitution, Article 8.

21 The Central Executive Committee consists of 25 to 35 members, including the Party Representative, the Secretary-General, the chairman of Council of Policy Affairs, the chairman of the Assembly Members' Meeting, the chairman of the Party Central Committee.

22 The presidential candidate is elected in the Party Conference, among competitors endorsed by more than a tenth of members of Party Conference or recommended by the Central Executive Committee (Party constitution, Article 71). The parliamentary election candidates are determined by the party president on the basis of the Central Executive Committee's evaluation (Party constitution, Article 74). To assist this evaluation, the special committee of party endorsement is usually set up on an ad hoc basis under the secretary general. This committee is usually composed of powerful senior leaders of the party. This committee collects information and opinions from the local parties and prepares a preliminary priority list of candidates in each district for the Central Executive Committee's evaluation.

23 Party constitution, Article 43.
deliberation device and an office of policy coordination as a supporting device. Permanent divisions are organized to correspond with standing committees in the legislature, whereas special divisions are set up under the approval of the Central Executive Committee to investigate, study and deliberate special issues. The office of policy coordination has a pool of party experts, a bureau of policy, and a bureau of civil affairs. Party experts support Divisions with expert information and knowledge. The bureau of policy provides staff service to all policy activities of the Council. The bureau of civil affairs accepts, investigates and settles civil appeals and complaints.

The ruling party can utilize two institutional channels to identify policy problems and opinions. One is the Institute for National Policy Studies. The recommendation by Institute of National Policy Studies are concerned with the party's

24 Each division is composed of the party's members of comparable standing committee in the National Assembly and deals with the same affairs as the standing committee.


26 They are government bureaucrats (bureau-chiefs) taken from relevant departments and usually return to a one-rank higher position in their original departments after their party service.

27 These include all kinds of policy meetings (division meetings, Policy Consultative Meetings, the party-government policy coordination meetings), the development and management of campaign promises, policy propaganda, and the activity of party expert.
long-term policies. The second channel is composed of 22 subcommittees of the Party Conferences at central, provincial and local levels,28 secretarial offices at headquarters and local branches, and the conversation meetings with vocational

28 They can make recommendations about the party's policies (Party Constitution, Article 30). These 22 subcommittees are organized along lines of function, occupation, age and sex.
groups. These mechanisms are channels through which public opinions are collected for short-term policies.

When the ruling party feels a need for new policies, it can directly draft a legislative bill or ask a relevant government department to initiate legislation. In the former case, first, a relevant Division examines the issue and prepares a solution with the assistance of a party expert and party bureaucrats. To get data and ideas, the Division tends to hear from the government departments and then from the interest groups. If necessary, it holds public hearings and policy seminars.

After a bill is drafted, it is deliberated in a Conference of Chairmen29 (or by the chairman) of the Council. If the issue falls under the jurisdiction of two or more Divisions, it is deliberated in the Policy Consultation Conference.30 After deliberations within the Council, the bill is sent to the Central Executive Committee for final examination and approval before it goes to the legislature.

29 This consists of one chairman and ten vice-chairman. The top vice-chairman is a director of the Office of Policy Coordination.

30 Two kinds of Policy Consultation Conferences are in operation: Economic and General. The Policy Consultation Conference is composed of chairman and vice-chairmen of the Council and chiefs of divisions involved.
Members of the Central Executive Committee\(^{31}\) are cautious when the president seems to have some opinion on the pending issue. They delay conclusion on the issue and confirm the president's position, if any, before the final decision.

Debate and deliberation in the Division, the Conferences, and the Central Executive Committee is a process through which intraparty difference is coordinated and convergence is sought. When internal agreement is not reached at this time, the issue goes up and down between Division and Central Executive Committee. During examination in a Division, Conferences, and Central Executive Committee, the party-government coordination meeting can be held, if necessary, to reflect the government department's opinions, especially regarding expected problems in implementation.

Actually, however, the ruling party tends to rely on the government bureaucracy for drafting proposals of controversial policy issues and to review them, whereas it directly drafts proposals of benefit to the constitutency.

As is the case in the government decision making process, minor issues tend to follow this formal process. Crucial issues frequently deviate from it. Before they are debated in the relevant Division, their core content tends to be outlined

\(^{31}\) The chairman of this committee is the Party Representative, usually the second man in the party who is appointed by the party president. He manages the party on behalf of the party president, who is president of the nation. Since the party is under strong control of the president, they cannot defy his position publicly.
and coordinated in informal secret meetings among party leaders.\textsuperscript{32} The formal mechanism of policy making cannot effectively modify policy content that has been authoritatively decided on by the leadership.

3. Mechanisms and Players in Policy Coordination

Current Channels

For policy coordination between the ruling party and the government, there are four channels. Each channel has a different scope of participants and level of hierarchy.

<1> Top Policy Coordination Meeting: Members of this meeting from the ruling party are the Party Representative, the Secretary-General, the chairman of the Council of Policy Affairs, the chief of Parliamentary Whips, and director of the Office of Policy Coordination; members from the government are the prime minister, vice-prime minister, minister of political affairs, minister of interior affairs, minister of finance, minister of justice, and other ministers related to the issues on the agenda. This meeting coordinates perspectives on the general direction of government policies or policies of high political importance, rather than specifying the content of normal bills. The president does not usually preside over this meeting.

\textsuperscript{32} They include the Party Representative, the Secretary-General, chairman of Council of Policy Affairs, chief of National Assemblymen Meeting, vice-secretary-general, and director of Office of Policy Coordianton.
meeting, but does so in critical times. The Top Policy Coordination Meeting which is presided over by the president is called "Extended Top Policy Coordination Meeting."

<2> Policy Coordination Meeting: Ruling party participants are the chairman of the Policy Council, the director of the office of Policy Coordination, and the chairman of the Divisions; government participants consist of the vice-premier and ministers. This meeting coordinates policies related to two or more departments or policies not settled in the Divisional Policy Coordination Meeting.

<3> Divisional Policy Coordination Meeting: Participants are members of the Division, the OPC director, the government minister, and the vice-minister. This meeting coordinates the policy of a relevant department.

<4> Working policy Coordination Meeting: This is a channel running between the party expert and the director of planning and management of a relevant department, usually in the initial drafting stage.

Process and Characteristics of Coordination

In the stage of drafting a proposal, a Working Policy Coordination Meeting is called. But since the party expert is a former bureau chief of the department and returns to the department when his party service is completed, he is not assertive in pushing the party position onto the department. Rather, he works as a neutral messenger, delivering opinions
and reporting on the atmosphere from one side to the other. The drafting side, a government department or the ruling party, usually adjusts its policy position on the basis of the delivered message.

The proposal, regardless of which side drafted it in what form, is referred first to the relevant Division for examination, together with party expert's opinion. At the same time, the proposal is reported by the party expert to the director of the Office of Policy Coordination, through the chairman of the Council of Policy Affairs, to the Party Representative.

The relevant Division first deliberates the proposal. When Division members have questions or opinions, the Divisional Policy Coordination Meeting is held. Most minor issues are coordinated in the Divisional Policy Coordination Meeting. On the basis of exchanged opinions, both sides adjust.

But when both sides do not arrive at consensus, or when the CPA chairman and the OPC director (or vice-director) judge that issues are important, the Policy Coordination

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33 These two men play a crucial role in the party policy affairs, since other incumbent leaders -- including the Party Representative and the Secretary-General -- and members of the Division lack policy expertise. Therefore, legislators having both policy expertise and political sense are appointed to these positions. The Party Representative is appointed on the basis of his political weight and the Division members have no accumulated knowledge for analysis and prescription of policy, because of the rotation system of membership.
Meeting is called. Deadlock during this formal coordination process is settled in informal secret meetings\textsuperscript{34} between a few core members of both sides.

Issues still unsettled in the Policy Coordination Meeting go up to the Top Policy Coordination Meeting or the Extended Top Policy Coordination Meeting. These top policy meetings do not iron out the difference on the spot, even though some discussion occurs there. The core conflict is settled before these top meetings are held. Especially, the Extended Top Policy Coordination Meeting is a place where the president's final commitment or directives are announced.

A few characteristics are found in this coordination process. First, policy coordination of controversial issues is centralized in the hands of policy leaders of both sides. Second, formal and informal conflict resolution processes alternate. Stalemate in the formal process is settled in informal secret meetings. Third, the level of conflict determines the subsequent process and mechanism of conflict settlement. Low conflict is solved by mutual adjustment, medium conflict is settled by bilateral negotiation, whereas high conflict is accompanied by bilateral negotiation and the intervention of outside forces.

\textsuperscript{34} Interview with party bureaucrats. In the case of formal meetings, officials of the party policy bureau know the participants and the agenda because they provide secretarial service to these meetings. But in the case of informal meetings, they can only ex post facto identify the fact that a coordination meeting was held somewhere by some persons
What do policy leaders do under the surface and outside of institutionalized coordination channel? Through what angle can we see the process of this conflict settlement for crucial and high conflict-laden issues? What factors work? These questions will be partially answered in this study.
CHAPTER IV
REGULATION ON OWNERSHIP LIMITS OF HOUSING LOTS AND EXTRA-PROFITS FROM LAND DEVELOPMENT AND ITS HOLDINGS (Case 1)

1. Background

Since Korea's rapid industrialization and urbanization during the last two decades, the problem of land price and distribution has risen to the forefront of the policy agenda. As indicated below, the price increase of land has by far exceeded other economic indicators (see Table 2).

<Table 2> Trends of Land Price and Other Economic Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>Land Price</th>
<th>Housing Price</th>
<th>National Income</th>
<th>Wholesale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>'75</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>'80</td>
<td>328.1</td>
<td>355.3</td>
<td>142.1</td>
<td>225.4</td>
</tr>
<tr>
<td>'83</td>
<td>440.5</td>
<td>328.7</td>
<td>178.6</td>
<td>284.4</td>
</tr>
<tr>
<td>'85</td>
<td>533.5</td>
<td>397.0</td>
<td>204.2</td>
<td>289.0</td>
</tr>
<tr>
<td>'87</td>
<td>656.5</td>
<td>400.8</td>
<td>256.9</td>
<td>286.1</td>
</tr>
<tr>
<td>'88</td>
<td>839.0</td>
<td>466.5</td>
<td>287.9</td>
<td>293.9</td>
</tr>
</tbody>
</table>


This abnormal price increase in land is rooted not only in the lack of supply, given Korea's small territory, but also due to institutional defects in land management.

The territory per person in Korea amounts to 2,330 square meters. This is small, compared to Japan and the US where it
is 3,096 square meters and 38,833 square meters respectively. Land available for housing, public facilities, and industries (excluding forests [66.2%] and farmland [22.6%]) is 4% of the total Korean territory, while it is 7% of the total Japanese territory. Housing lots available per person are 45 square meters in Korea, but 86 square meters in Japan. Due to this small amount of territory, land supply always falls short of the demands which have been generated by urbanization, industrialization, and economic growth.

Besides, even though a huge amount of profit has been made from the change of land use or the development of land,1 most profits have been privatized. The reason for this privatization is not only that the levy of developmental windfall profits have been confined to one of twelve categories of land development projects, but also that property and transfer income taxes have low bases of taxation and too many exception clauses. Moreover, incessant rising inflation2 has devalued currency, and, as a result, has

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1 For example, the price increase on farms was 8 to 9 fold when they were changed into housing lots, 11 to 13 times when changed into commercial lots, and 6 to 7 times when developed into industrial lots (Federation of Business Industries, Legislation Trend and Content of Land-related Bills, 1989, p.30).

In a few cases, the rate of windfall profit coming from development projects ranged from 55.5% to 281.2% of total costs (Research report, p.181).

2 Inflation rate (whole sale prices) was 13.1% in the 1960s, 15.9% in the 1970s, and 6.9% in the 1980s.
contributed to the preference for land and condominiums as a means of maintaining the value of wealth.

These physical and institutional limitations have provided a ground for land speculation. Business firms and wealthy individuals bought land adjacent to large cities and waited until its price rose as cities expanded.\(^3\) The simple trade of land by individuals guarantees high non-labor profits in a short time period. This land speculation has accelerated the price increase which in turn stimulated more speculation.

This land speculation exerted baneful influences on national economy. The supply of land to indispensable demands for houses, factories, and public facilities has been suffocated, and the geometric increase of land prices was an unreasonable burden to these demanders.\(^4\) Also this speculative demand for land produced an extremely skewed distribution of ownership of high-priced land,\(^5\) which deteriorated wealth distribution between social classes.\(^6\)

\(^3\) Research Report, pp.36-37.

\(^4\) For example, the land cost of total expenditure for road construction was 6.2% in 1979, 18% in 1983 and 35% in 1987 (Federation of Business Industries, Op cit., 1989, p.23).

\(^5\) As of 1989, the top 5% of land owners held 65% of private land (GINI ratio 0.85). They hold 59.7% of private housing lot and 84.1% of private forests (Ibid., p.4).

\(^6\) The estimated capital gain caused by the 14.7% increase of land prices in 1987 was 35.7% of GNP and 84.6% of total incomes of employees, while capital gains made by the 7.3%
The government so far has responded to spiraling increases in land prices and land speculation with symptomatic treatments. Its partial and patchy prescriptions were not only untimely but ineffective in solving the land problem. The cyclical and frenzied increase of land and housing prices has led to a national consensus that "something should be done about the land problem."

When the new president, Rho, took office in 1988 and began to launch political democratization, government bureaucrats initiated bold ventures to solve the land problem fundamentally and permanently. These included: the integration of four different land pricing systems; the establishment of a comprehensive land tax; the regulation of upper limit of housing lot ownership and extra-profits from holding and developing land; and the realistic adjustment of bases of land taxes.

The first two were legislated in the spring of 1989 and the third one in the fall of the same year. The last one has not yet been realized. The most important and progressive of these new government measures was "regulation on upper limits of housing lots and extra-benefits from holding and developing land."

Increase of land prices in 1986 was 14.7% of GNP and 34.8% of total income of employees. Capital gains that accrued to top 5% of land owners in 1987 amounted to 49.6% of the total incomes of employees while it was 20.3% in 1986. (Ibid., pp.240-241).
The policy proposal of this new land regulation deviated from existing approaches in many ways. First, since traditionally land was regarded as a private good, its supply and demand was left to market mechanisms. But, given the impossibility of reproduction and mobility, bureaucratic decision makers and academic scholars began to view land as a public good. Therefore, they acknowledged that the government needed to intervene in its market. The introduction of this land regulation was a result of this change of perspective on the nature of land.

Second, social aspects separate from economic aspects of the land policy began to be acknowledged. The existing land policy focused on the development and use of land for productive purpose. The new land policy aimed at the redistribution of wealth that accrued from land speculation and skewed ownership.

Third, the management of the demand for land began to be regarded as essential. The existing land policy focused on the supply side for housing lots and industrial facilities. The land development project was the core instrument for this purpose. But the new regulatory policy bill attempted to manage demands by emphasizing the efficient use of land and removing unnecessary and speculative landholding.

The ruling party and the government agreed on the basic need to regulate land speculation and price increases, but disagreed fiercely on policy instruments. Policy instruments
adopted in the government's new proposals were: strengthening the levy of extra profits from land development projects; setting the upper limit of housing lots; and taxing extra-profits coming from the increase of land price beyond a normal level. The first instrument is a familiar one, but, the latter two are innovative tools newly attempted.

According to the government legislative draft, first, a family of less than five members could not hold or acquire more than 660 square meters as a housing lot in six major cities and 990 square meters in other cities. Existing owners were obliged to sell land that exceeded this limit or ask the government to buy the extra lot. If they did not sell, they would have to pay a levy for holding the extra lot which was 6% or 9.6% of the current price of "the housing lot beyond the limit." If the extra housing lot partitioned for sale can not be a separate and useful piece, the owner could hold the extra lot without paying the levy. Other social entities, except for families, were prohibited from holding housing lots. Second, seventy percent of profits from land development were supposed to be levied. Developmental profits were defined as "monetary gains beyond a sum of the normal price increase and normal business profits." Third, fifty percent of the extra-value that accrued from holding land whose price increase is higher than the average level for three years, or more than 1.5 times the average increase for a year, was supposed to be taxed. "Extra-value" was defined as a "monetary value increment
beyond a sum of average value increment and improvement cost for a tax period."

One fundamental purpose of these policy instruments was to change people's perception of land and to eradicate land speculation by removing unreasonable profits that came from holding, trading, and developing land.

To these government policy instruments the ruling party was opposed. The ruling party preferred an incremental approach to the innovative one proposed by the government. It claimed that the government's policy instruments should be loosened or replaced by a mixture of comprehensive land taxes, the strengthening of transfer income taxes, and the readjustment of bases of taxation. The reasons were that the government's instruments would give negative shock to the national economy and that the above policy mixture would be sufficient to solve the current land problem.

Neither side was willing to concede its policy position. They struggled with each other for about five months. According to the agreement on September 11 between the ruling party and the government, the original content of the government's bill was modified. First, the acquisition of a existing house whose lot is more than the limit is permitted, on the condition that the owner must pay the levy for holding the extra lot. New acquisition of a vacant housing lot is prohibited beyond the upper limit. Second, if no one buys the extra-lot that the owner asks the government to dispose, the
owner can keep the housing lot beyond the upper limit without paying the levy. Third, the levy of developmental profit is reduced from 70% to 50%. Fourth, extra-profit tax is applied to land that the Ministry of Finance designates as a speculative area, even though the price may jump more than one and a half times a year.

This coordinated version followed a formal process which included deliberations in Vice-Ministers's Conference and State Council and approval of the president. Then it passed the legislature with minor modifications despite the Federation of Business Industries' and the Chamber of Commerce's demand for large-scale revision.

2. Process of Policy Conflict and Coordination

Agenda Setting and Institutional Set-Up

The idea of regulating both housing lots and extra-profits from land development\(^7\) was formally discussed in 1988 when economic bureaucrats began to modify "the Sixth Five-Year Plan for Economic and Social Development" in order

\(^7\) The idea for housing lot limits was in a MOC repertory. This idea was suggested in 1984 by Dr. Lee, a researcher of the Korean Research Institute for Land Development, and discussed in expert meeting, and supported by people in public opinion surveys in 1985. But it had never been enacted into law. On the other hand, the regulation of developmental profits has been institutionalized partially but ineffectively.
to reflect the new president's campaign promises and the newly evolving political and economic situation.

With the beginning of political democratization, the past under-privileged social groups raised up their voices and the public mood for economic democratization or equity began to spread rapidly. Given this situation, bureaucrats from the Ministry of Construction (MOC) advocated the regulation of housing lots and extra-profits from land development in order to realize the eradication of land speculation, one of the president's campaign promises, and achieve equity and fairness in the economy. But EPB bureaucrats questioned the political feasibility of the MOC's idea of a housing lot limit. EPB bureaucrats advised MOC bureaucrats to postpone pushing the idea on the ground that the proposal would be unsuccessful in spite of laborious efforts. But the EPB vice-minister supported this idea.

In the summer of 1988, MOC bureaucrats seized an opportunity. In the face of increasing syndromes, the DPM worried seriously about land speculation, and committed himself to solving it. He consulted with the MOC minister and the presidential chief economic secretary. The MOC minister

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8 For example, over-heated economic growth, and the overflow of money due to international trade profits, and the investment for the 1988 Olympic games.

9 The DPM (EPB minister) is the chief of economic ministers. This minister was a national assemblyman of the ruling party.
advocated his subordinates' innovative idea. But the chief presidential economic secretary thought it was sufficient to cope with the expected land speculation with the integration of four different systems of land pricing and the introduction of the Comprehensive Land Tax. The DPM suggested both ideas under the name of "the regulation of land as a public good" to the president in order to probe for his preference in his report on "the current economic trends and economic policies after 1988 Summer Olympics." On August 8, the president supported both ideas, adding that they should be examined with a reformative will.

Immediately thereafter, the EPB announced comprehensive government measures to eradicate land speculation, which included the strengthening of existing arrangements, the introduction of new regulations, and the establishment of a so-called "Committee for Real Property Policy." But MOC's innovative ideas were not detailed in the government measure lest it should shock public opinion before the 1988 Olympic Games. Instead, it was announced that the "Research Team for Regulation of Land as a Public Good" would be launched to study new regulations.

The Committee for Real Property Policy was established to examine all policy alternatives to control rising land and housing prices and to make choices between them. This committee consisted of the DPM (chair), the Minister of Finance, the Minister of Construction, the Minister of
Agriculture and Fisheries, the Minister of Interior, the Minister of Justice, the chief of Tax Administration, and lastly, the presidential chief economic secretary. This government-wide committee was a response to the seriousness of the problem and the president's commitment. Under the auspice of this high-level committee, MOC's idea (the regulation of upper limit of housing lots and extra-profits from land development) and the chief presidential economic secretary's idea (the integration of four land pricing systems and the instituting of Comprehensive Land Tax) followed different courses. The latter two were legislated in the spring of 1989, and the former two in the fall.

A research team was set up in the Korean Research Institute for Land Development in order to study the MOC's idea further. Unlike the past practices, government officials at the practical level participated in the research team to speed up the preparation of alternatives and make them more feasible. Advisory professors of the Committee for Real Property Policy joined them in developing rationales for the idea. The task of the research team was to develop rationales and alternatives for the way and degree of this regulation,

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10 At first, researchers at this institute thought MOC officials were making futile efforts again. This was because the MOC officials did not enact any of the policy recommendations that researchers of this institute had for the past ten years studied and suggested for the call-back of unreasonable developmental profits. But MOC officials thought that the researchers did not have any feasible policy alternatives.
given the assumption that the desirability of this new regulation was already accepted. Four subgroups were urged to develop fundamental means until May, 1989. The four topics were:

<1> upper limit of housing lot,
<2> trade of farm and forest,
<3> levy of developmental profits, and
<4> regulation of business land not directly used for production.

A legislative task force was organized to elaborate the findings and recommendations of the research team into a legislative bill and to coordinate technical problems of the bill between departments. This team consisted of the MOC vice-minister (chair) and eight related directors-general in the relevant government departments.

New Economic Team

In December 1988, a reshuffling in the government was made. A university professor of economics was directly appointed Deputy Prime Minister. Another former university professor was appointed Minister of Commerce and Industry. The chief presidential economic secretary\(^\text{11}\) was transferred to Minister of Construction. A former bureaucrat was appointed Minister of Finance, and the vice-minister of Economic Planning Board was transferred to chief presidential economic

\(^{11}\) He also was a university professor before he was appointed presidential chief economic adviser a year ago.
secretary.

The press hailed this new composition of the governmental economic team as ideal since the former professors could provide the government with a comprehensive theoretical perspective and their lack of the executive power could be complemented by the chief presidential economic adviser who was famous for pushing the budget cut policy several years ago.

New key members, especially the DPM and the chief presidential economic secretary, announced their advocacy for two crucial reform measures, taking the direction of the government economic management toward structural reform and economic stabilization to correct the negative consequences of rapid economic growth by the unbalanced development strategy. One reform measure was the regulation of land as a public good, and the other was the regulation of fictitious names in financial markets.

Ruling Party's Intention and Government's Detour

So far, given the spreading land speculation in the period of November, 1988 to February, 1989, nobody was opposed to the government effort because they had a consensus that something should be done about the cyclical galloping increase in land and housing prices.

The research team found a surprising fact through the analysis of computerized data on land ownership. The top 5 %
of land owners held 65.2% of the total private land available (57.7% of private housing lots, and 84.1% of private forests). This extremely unbalanced distribution shocked the research team. A few academic members of the research team, who were originally reluctant to regulate the upper limit of housing lots directly, reversed their attitudes. All members of the research team agreed that tax instruments alone would not be effective in correcting the extreme abnormality of land distribution.

The decision to announce this surprising fact publicly took a long time due to the expected positive and negative impact on public opinion and its political consequences. The chief presidential economic secretary and MOC officials concluded that the government could get public support and loosen the expected resistance from vested interest groups by releasing this information. The released information galvanized public criticism against the rich people. The ruling party leaders rebuked the government officials for releasing this critical and sensitive information without prior consultation.

As the outline of policy recommendations was made clear, the research team had an internal policy discussion and then submitted the interim reports, including the establishment of an upper limit on housing lots and the levy of developmental profits, to the Committee for Real Property Policy. In early April, the MOC minister met the chairman of the ruling party's
Council of Policy Affairs for consultation about the narrowed policy options. The chairman rejected these options on the spot on the ground that Korea was not a socialist country. The government proponents were embarrassed by this opposition from the ruling party.

In the face of anticipated opposition, the government took two strategic actions. First, the DPM asked the president to make clear his policy position on economic reforms. On April 12, 1988, the president ordered active pursuit of the regulation of land as a public good for the healthy future of national economy, indicating income inequity and increasing non-labor income as serious structural problems. Second, after the presidential statement on April 12, the government decided to boost up and win public opinion in order to prevent the possible opposition. The government emphasized the need for "haves" to concede and the correction of abnormal accumulation of wealth for a just society and another economic take-off. Public opinion supported the government position overwhelmingly. In the public hearing held on April 20, 1989, to discuss positive and negative effects of these recommendations, most representatives from political parties, interest groups, the academic community, and mass media acclaimed these recommendations. But delegates from the Federation of Business Industries did not share their enthusiasm.

Backed up by the president and majority public opinion,
the government then explained its policy position to the ruling party and asked for cooperation through informal contacts in April and May. They also emphasized the fact that this policy idea had already been approved by the president. The ruling party members in policy organs could not openly oppose the government's policies due to the president's commitment and the strong pressure of public opinion. They had to wait for an opportunity to moderate public opinion and the president's will, while expressing restrained worries about possible negative consequences through informal policy coordination meetings.

Public Notice and Vortex of Interests

Throughout May and June, recommendations were elaborated by a legislative task force consisting of directors-general of ministries involved in two legislative drafts: "legislative bill setting upper limits on housing lots" and "legislative bill of levy on developmental profits." Most intergovernmental coordination were made in the meetings of directors-general. In this process, the MCI put a brake on the levy of developmental profits, but could not do so tenaciously because of public opinion and the MCI minister's relation with the DPM.¹² Three key senior bureaucrats, the EPB director-

¹² They were intimate professors of economics department in the same university. The DPM was a senior.
general of economic planning, the MOC director-general of land policy, and the MOF director-general of tax affairs, had informal meetings frequently instead of using a task force meeting. One of the reasons was that the chairman of the task force, the MOC vice-minister, had a passive attitude toward the regulation.

As the government legislative bills were drafted, the conflict of interests emerged from under the surface. In the ruling party, some members expressed their support for popular government bills in response to overwhelming public opinion, whereas others opposed the government's bills. This conflict reached its peak in the Central Executive Committee meeting held on June 18. Policy expert members asserted that the government bills would carry more costs than benefits both economically and politically. But some non-expert members contended that the ruling party should support economic reforms for keeping a liberal democratic regime through the resolution of complaints and conflicts in a society. As a compromise, the Central Executive Committee decided to follow public opinion for the time being, reserving its worries about negative effects. The response of the ruling party reflected the agony of the party on this issue. It was internally split and it could not openly oppose the policy given the pressure of public opinion.

Immediately after the outline of the government legislative bill was publicly disclosed on June 30, the MOF
minister raised the jurisdictional problem of the levy of developmental profits. The original bill consisted of two kinds of levies. One was a levy on profits coming from the value increment of developed areas and the other was the levy of profits coming from price increases in its neighboring area. The MOC minister asked his director-general of tax affairs, a member of the legislative task force for bill drafting, to transfer the second part of this bill out of the MOC jurisdiction into the jurisdiction of his ministry.

One rationale for this request was that the levy on profits from the developed area was a kind of return for licensing the development whereas the levy on profits from neighboring areas was a tax in nature. Logically, the former should belong to the licensing authority, MOC, and the latter to the tax authority, MOF. Another rationale was that even though the government needed to extend the coverage of the second levy from its neighboring area to all the possible areas of speculation in order to control land speculation and price galloping, the MOC did not have the administrative capacity to cover the enlarged taxing affairs.

Even though the MOC director-general was opposed to extending the coverage beyond the neighboring area, the task force examined this request and agreed to admit it because the MOF arguments were somewhat reasonable and it was hard to draw the boundary of a neighboring area. As a result of these bureaucratic jurisdictional interests, the levy on profits
from holding land was extended from neighboring areas to the whole country, and separated into a "legislative bill of the extra-profits tax of land."

At the same time, social groups began to make their positions clearer and push them in a vortex of debates. On July 8, a group of scholars and intellectuals organized the "Citizen Association for Promotion of Economic Justice," and claimed that the government's bills should be strengthened. This group held a number of public debates and hearings, and defended the government's positions against any interest which tried to weaken the government's bills. In the Constitutional Court, scholars of public laws debated scholars of private laws over the constitutionality of the housing lot limit and the government's permission of trade of farms and forrest.

The Federation of Business Industries and the Chamber of Commerce openly operated their task forces immediately after the ruling party decided to follow public opinion on June 18. They tried to contact academics not only to develop the logic of opposition, but also to prevent them from actively advocating the government's bills. But the Association of Banks and the Central Committee of Middle and Small Businesses welcomed the government's regulatory bills. On July 11 when two legislative bills were formally announced, pressured by the government and public opinion, six economic interest
groups decided to cooperate with the enactment of the government bills for equity in the national economy. Thereafter, opposing groups lobbied secretly.

As public debates heated between social groups, the Secretary-General of the ruling party announced that he was considering employing a roll-call vote instead of an unsigned secret vote on the economic reform bills in the legislature in order to prevent members from yielding to partisan and personal interests or pressure from financial supporters.

The Ruling Party's Cannon and Government's Bulwark

After the government drafts were publicly announced on July 11, they were formally sent to the ruling party for review. In the Division of Construction and Divisional Coordination Meeting with the government, a majority of party members were opposed to the government bills on the ground that the upper limit of housing lots and the high rate of levy on developmental profits were equal to the confiscation of private property. They accused the government economic team of treating 'haves' as guilty people. They insisted that the limit on housing lots should be lifted and the 'extra-profit tax on land' should be replaced by the 'Comprehensive Land Tax' already enacted in May, 1989.

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13 Federation of Business Industries, Chamber of Commerce, Traders Association, Central Committee of Small Businesses, Association of Banks, Association of Businessmen.
In August, the ruling party attempted to weaken the government's position, capitalizing on the conservative political atmosphere that had been temporarily created since May by the unauthorized visits of some radicals to North Korea, radical student demonstrations, and a tough response by public peace agencies to these events. In early August, two party officials and two outside experts began to examine the government's bills. After a week's work, they reported preliminary outputs to the Party Representative who was the chairman of the top party decisionmaking organ, the Central Executive Committee. On August 11, the Party Representative held a press conference. He asserted, under the assumption of his personal opinion, that the upper limit on housing lots could infringe on the right of private property and that many difficulties were expected in the disposition of extra land. He added that the party was considering removing or weakening the bills in the legislature.

On August 15, the Secretary-General, the CPA chairman, and the OPC vice-director began to support the opinion of the Party Representative. The vice-director provided more systematic counter arguments to the government position. According to him, the upper limit on housing lots is a revolutionary measure to intimidate the capitalist order. Revised capitalism is not the confiscation and redistribution of private property, but strengthening the redistributive function through fiscal and tax systems. He also emphasized
that the government measures would add a tax burden to the lower-middle class and that speculators would still trade land under others' names. Other party policy officials asserted that the ruling party might lose votes from the upper-middle class in local elections to come.

The point to note here is that the Secretary-General who had advocated for the government's bills in the party changed his original position. This meant that party leaders converged their voices against the government bills. Nevertheless, they could not ignore rationales for this land regulation and public opinion for it. Therefore, they concentrated their efforts on replacing the government measures by the realistic adjustment of bases of taxation, high tax rates on vacant land, and a Comprehensive Land Tax. Two days later, the Party Representative, the Secretary-General, the CPA chairman, and the OPC vice-director met the chief presidential economic secretary, a leading government advocate of the reform measures near the president. At this meeting, party officials stressed that the eradication of land speculation should be achieved within the limit of not condemning 'haves,' and that centralized socialistic reform ran counter to the process of democratization. Then, party officials reported their final study directly to the president.

Confronted with ill omens that the ruling party was making an orchestrated opposition, that a couple of newspapers
began to reflect the opposing voices, and that a few opposing influential people were contacting the president, the DPM, the chief presidential economic secretary, and the ministers of MOC and MOF took a countermeasure. They organized a government-wide "Committee for Promotion of Regulation of Land as a Public Good" in order to cope effectively with the expected opposition in the government-party meeting and in the legislature and to promote favorable public relations.

At this time, three opposition parties, which had kept an wait-and-see attitude, began to make clear their policy positions. The Unification Democratic Party started to draft a so-called "Basic Law of the Land" in addition to their support for the government bills. The Peaceful Democratic Party asked the government to strengthen the content of the bills. However, the New Democratic Republican Party asked for the weakening of the government bills or the replacement of them by a strengthened existing tax system. Its position coincided with that of the ruling party.

The Policy Coordination Meeting of August 26 highlighted the policy conflict between the ruling party and the

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14 All news agencies had acclaimed the government positions by June. But a newspaper already wrote an editorial criticizing the government bill and there was a rumor that big businesses were pressing some news editors after the ruling party formally opposed the government bills.

15 Some seemed to be mobilized by the ruling party and others seemed to be called by the president for advice.
government. This meeting was held between the Secretary-General, the CPA chairman, the chairman of the National Assembleymen Meeting, the OPC director and vice-director (on the party side) and the chief presidential economic secretary, the ministers of EPB, MOC, MOF and MOAF (on the government side).

The ruling party asked the government;

<1> to replace the prohibition of extra-housing lots by heavy taxation of them on the ground that the establishment of an upper limit would impinge on the right of private property;
<2> to tighten a Transfer Income Tax and a Comprehensive Land Tax and adjust realistically the bases of taxation instead of placing a levy on developmental profits and extra-profit tax of land on the ground that a strong levy and a new tax could cause tax revolt and do damage to the middle class.

But the government rebutted this request by arguing;

<1> that tightening the existing taxes could not eradicate and speculation because owners of extra-land would not sell it or shift increased tax to the price of land;
<2> that a realistic adjustment of a standard of assessment increased the burden to the middle class.

Both positions never converged. Both sides agreed to re-examine the issue. But they diverged even more. After this breakdown of policy coordination, the ruling party again reported its opinion directly to the president and the chief presidential economic secretary again persuaded the president. On August 28, the president broadcasted a speech, entitled
"The Wisdom of Living Together on a Narrow Territory." Encouraged by this presidential speech, the DPM decided to send the government bills, together with the realistic adjustment of bases of taxation, to the Legislature without any modification.

Embarassed by the government's obstinacy, the ruling party became determined to take the lead over legislation instead of trying to reflect its opinion in the government bills. The ruling party changed its direction from modification or weakening to de facto rejection or unlimited deferment. To demonstrate its resolve, the ruling party set up a "subcommittee for a review of government bills." But no senior party leader dared to accept the leadership of this subcommittee because they thought that it would be detrimental to their reelection. Therefore, the OPC vice-director, who was an expert legislator having no electoral district, took charge of it.

The President's Siding

At this moment, communication broke down between the DPM and the CPA chairman. Thus, the effort to coordinate was made

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16 In this speech, the president supported the government arguments.

17 This consisted of the chairman of CPA, the vice-director of OPC, the party policy expert, and the representatives of the Divisions of Interior Affairs, Construction and Finance.
between members of the party's review subcommittee and the vice-ministers of EPB, MOC, and MOF. No progress was the result.

On September 1, the chief presidential economic secretary secretly summoned three key directors-general of economic planning, tax affairs and land affairs, and asked their expert opinions of <1> lowering the rate of levy on developmental profits from 70% to 50%, and <2> how to handle the realistic adjustment of bases of taxation that would be a burden to the middle class.

Their answer to the first question was that lowering the rate would not damage the effectiveness of the law. To the second question, they suggested two options. One was to adjust the bases of taxation after the enactment of "regulation of land as a public good" under the support of the middle class. The other was to push both measures together at the risk of losing the support of the middle class. The presidential chief economic secretary accepted the second option that the directors-general preferred. But later he gave up it and adopted the first option instead.

On September 4, the ruling party leaders finalized their position in the 'subcommittee for review of government bills' without following the process of determining the official party policy.\(^{18}\) This final party position contained: <1>

\(^{18}\) To be an official party policy, it should be discussed and approved in the Central Executive Committee.
lowering of the rates of levy and tax; <2> no application of upper limits on one existing house per family, but application of it to newly constructed house; and <3> the temporary, not permanent, application of "extra-profit tax on land" or postponement of it for a few years. As soon as this content was known, the MOC made clear that it was unable to accept the party's request because the request could disable the government's bills.

September 5 was the day when the prolonged conflict and confrontation came to a settlement. On this day the president called and presided over a Blue House meeting\(^1\) to conclude the controversial issue. There was some debate before the president between the OPC vice-director and the presidential chief economic secretary. The president sided with the government, saying that "...both sides should realize what the land regulation intends to achieve and be cautious not to impose a burden on the middle class...and the ruling party should be perceived as reformative by the people..."

Face Saving or Not?

After the Blue House meeting, the OPC vice-director said, in a meeting with party policy experts, that the party would

\(^{19}\) The Party Representative, Secretary-General, Chairman of CPA, chairman of National Assemblymen Meeting of the party, vice-director of OPC, presidential chief economic adviser, and presidential chief political adviser attended.
complement the laws in the implementation stage because public opinion was unilaterally adverse to the ruling party and it was too late to revoke the government's bills. The Party Representative announced the acceptance of the government bills. On the other hand, after the chief presidential economic secretary met again with three key government directors-general, he delivered the intent of partial acceptance to the ruling party. According to government officials, this concession was made without hurting the basic framework to allow the ruling party to save face.

In the coordination meeting of September 9 between the CPA chairman and the OPC vice-director on the party side and the DPM and the chief presidential economic secretary, the presidential secretary suggested elements for partial acceptance and got agreement from the party. The suggested details for partial acceptance were: <1> collecting a levy for the extra holding of housing lots instead of obliging their disposal; <2> the rejection of the ruling party's request for an exception for one existing house per family; <3> the reduction of the rate of the developmental levy; <4> the MOF's selection, instead of automatic designation, of speculative areas where prices increased more than one and a half times a year; and <5> the coordination of minor points in subsequent practical level meetings.

At last, the coordinated version of this land regulation was approved in an extended policy coordination meeting, which
was attended by the CPA chairman and vice-chairmen, the members of "a subcommittee for the review of the government bills," and the chairmen of related Divisions, on the ruling party side, and the DPM, the ministers of Internal Affairs, Finance, Agriculture and Fisheries, Construction, and Labor, and the chief presidential economic secretary, on the government side. It was on September 11, 1989.

3. Analysis

This is a case where the ruling party was unsuccessful in intervening to change government policy. To explain why it failed to push its policy stance in this case, or why the government successfully defended its position, the following subquestions need to be answered.

--- How was the conflict settled? What was the mechanism of conflict resolution in this land regulation case?

--- What did the ruling party and the government strategically do to affect this mechanism in its favor?

How could these strategic actions affect the inclusion of a policy position in the final outcome of this conflict settlement?

--- What factors facilitated or constrained the strategic actions of each side?

(1) Conflict Settlement Mechanism

How was policy conflict settled in this land regulation case? Glancing at the conflict's history, one can easily
identify a few features.

First, different positions did not converge between the party and the government. From the first contact of the MOC minister with the CPA chairman in the early April 1989, until the president's final decision on September 5, 1989, a series of coordination meetings failed to fill the gap between the two sides.

Second, even though strategic actions were advanced toward public opinion, toward other influential actors who had presidential access, and toward the president, these strategic efforts were made with the president in mind as the ultimate target. Even the government actions to win public opinion in the spring of 1989 and to organize a government-wide committee in August 23 were undertaken ultimately to keep the president's commitment to the government's position. The Party Representative's challenging argument before the media on August 11 was an effort to test and change the president's initial commitment. The Party's mobilization of influential people with access to the president was undertaken to change the president's judgment. The party's organization of a subcommittee was to show its resolve to both the president and the government.

Third, each time the ruling party and the government

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20 Interview with government officials.

21 Interview with party officials.
collided directly in early April, late August, and early September, the president served as a traffic signal. More importantly, policy conflict in this case was finally settled by the president's decision on September 5, 1989. Only after this decision, minor concessions were made to accommodate the ruling party's positions and no more serious conflict reoccurred between the ruling party and the government.

From these facts, we can surmise that the president's arbitration was the key to the settlement of conflict about controversial policy between the ruling party and the government, while other factors contributed to help his arbitration. Did he really arbitrate both conflicting policy positions substantively and procedurally? Two bits of evidence can be used to substantiate this point.

The first evidence is his final judgment statement. He was quoted as saying that "both sides should realize what land regulation intends to achieve and be cautious not to impose a burden on the middle class..." This statement reflects his thoughtful integration of one claim of the party ("burden on the middle class") into a basic governmental frame ("what the regulation intends to do"). He was not unilaterally siding with the government position. Thus, this statement can be inferred to be his rearrangement of both conflicting

\[22\] This middle class issue was raised first and formally by the ruling party on August 15, even though the government considered it on September 1, 1989.
positions.

Additional evidence is exhibited in his behavior before his final decision. Even though the president was well aware that the party was opposing the government position to which he had initially committed himself and which was being unanimously supported by public opinion, he approved in the late August the party's request to establish a "subcommittee for the review of the government bills." At the same time, he contacted his informal economic consultant (an expert who had been his economic adviser when he was a Party Representative) and his other informal group of reference. How can these behaviors be interpreted? He wanted to check any other alternatives or any possible problems of the government position before he finally committed himself.

Depending on limited evidences, I can infer that conflict settlement of the land regulation policy is a result of the president's deliberate arbitration judgment on both conflicting positions.

(2) Strategy

According to the discussions above, policy conflict between the ruling party and the government is settled by the president's deliberate judgment. Its policy position can or cannot be included in the settled outcome, depending on how effectively each camp influences his judgment. What strategic

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\(^{23}\) They were reported to oppose the government position.
actions did each side take to influence the president's judgment?

The conspicuous actions taken by the government to achieve its position were: <1> persuading the president during the agenda-setting stage of policy in 1988; <2> debating over policy positions when the ruling party expressed outright opposition in April and August of 1989; <3> courting and winning public opinion in the spring and fall of 1989; and <4> building a government-wide committee for land regulation on August 23.

The strategic actions taken by the ruling party were: <1> accommodating public opinion temporarily, expressing its worries about the government position in the period of April to July; <2> examining the government bills and developing logical opposition in early August; <3> attempting to weaken public opinion and mobilize individuals in big business who were influential in late August; <4> arguing with the government and reporting its position to the president in late August and early September; and, finally, <5> organizing a subcommittee to review the government's bills.

These diverse strategic actions can be divided into two categories. One is intellectual debate and persuasion and the other is political mobilization and coherence. As indicated above, these actions were ultimately targeted at the president.

Through debate and persuasion, the government and the
ruling party made their arguments to demonstrate deliberately how their position could or couldn't help achieve other national goals and why their proposed innovative or incremental instruments were necessary. This argument was made by connecting each policy position to other policy goals that it might affect. For example, the government connected its innovative position to "economic growth," but the ruling party connected the government's position to "damage to the middle class." These issue connections were made by policy experts in the government and the ruling party. These issue connections laid a base for causal judgment by non-experts, such as the general public and non-expert politicians. For example, the president's final judgment reflected these issue linkages made by the government and the party and selected by him. In other words, these issue connection were designed to affect the causal judgment by the targeted people.

Issue connection is accompanied by a subjective judgment about a causality between phenomena or events. Even though these connections were concerned with a "causality," neither the government nor the ruling party presented any scientific evidence of causality. For example, in neither the government research report nor the ruling party's study report was there objective and scientific evidence to support causal linkages. What they did to make their causal connections persuasive was to marshall supporting forces and internal coherence behind their issue connections. For this purpose, the government
aligned public opinion as a supporting force and constituted a government-wide committee on August 23 to demonstrate its commitment to its position (a set of issue connections). The ruling party mobilized influential members as a supporting force and organized a committee on August 31 to show its resolve. These actions can be interpreted as political behaviors which were designed to make their judgments more convincing and valid. This means that the evaluation of consequences of each position was politicized, rather than rationally done.

From these discussion, two statements can be inferred. First, both sides concentrated strategic efforts both on connecting issues to influence the causal judgment of the targeted people and on political mobilization to support their versions of causality between issues. Second, issue connection and political mobilization were used as main tools with which to influence the president's judgment.

As indicated above, issue connection and support mobilization were ultimately targeted at affecting the president's judgment. From what point of view can the president evaluate such issue connection and support mobilization? What were the important considerations upon which his judgment was based?

In a historical turning point, President Rho had to cope with increasing problems while trying to achieve historic
missions he defined. In the late 1980s, the Korean economy, which had suffered from chronic trade deficits, was making profits from international trade since 1986. But it needed the rationalization of industrial structure and the development of technology for Korea to advance to an industrialized country. Also, demand for democratization was surging. Mr. Rho, as a presidential candidate, promised to eliminate an authoritarian rule and launch democratization through his "6.29 Declaration." Reforms in Eastern Europe and the successful 1988 Seoul Olympic aroused hopes among Koreans for the unification of its peninsula. The missions of Mr. Rho as president were defined in this domestic and international context before and after his taking power in February, 1988.

What did the president have in mind for his historic achievements? The missions he defined in his early speeches can be outlined as three: democratization, the advanced industrialization of Korean economy, and the

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26 This study assumes a hierarchy of goals. High-level fundamental goals are ultimate criteria for the evaluation of other sublevel conflicting goals. This means that the president will think again about his fundamental goal when he is confronted with conflicting goals. But it is very hard to identify fundamental goals that are abstract, sometimes ambiguous, and deeply rooted in his mind. To grasp his fundamental goals, this study relied on his early speeches, such as "speech for presidential candidate acceptance" and "6.29 Declaration," because these early speeches have a relatively high chance of reflecting his original goals. Campaign speeches are full of all kinds of goals regardless of his commitment. Presidential speeches seemed to be a mix of the fundamental goals established by himself and many other goals set by his staff to cope with the evolving situation.
unification of the Korean peninsula. These goals are reflective of his perception of the president's role in this era.

After he was elected, Rho tried to separate his power base from that of his predecessor who was blamed for authoritarian rule and corruption. This separation was considered necessary to give his power ethical legitimacy and democratic image. He ousted the followers of his predecessor in the party who might curb him, and substituted his own followers for them when he endorsed the party candidates for the National Assembly election to be held in April, 1988. Unfortunately, his party did not obtain a majority of seats. The minority status of his party in a fragmented four party system was a reality he had to face. This fragmented power structure forced him to struggle for popular support or cooperation from at least one opposition party in order to legislate his programs effectively. President Rho had to achieve his missions from a weak power base.

The policy stance of the president on major policies that were expected to carry great impact on economic and political structures could not but reflect his historic performance goals and power base.

Why were strategic actions of the ruling party less effective in affecting the president's judgment? From the discussions above, one can guess that the party's issue manipulation and support mobilization did not match the
president's concerns. The ruling party's issue connection deviated from the president's goals, and its support mobilization did not contributed to building up the power base he needed.

How did the party fail to successfully link the land regulation issue to the president's performance goals in the evolving situation? It is necessary to examine how each camp manipulated its position on this land regulation issue.

During the first conflict in April 1989, the ruling party linked the innovative content of land regulation to the infringement of a capitalistic economic order, whereas the government connected this idea to economic take-off and economic equity.

According to the ruling party logic, the upper limit on housing lots would encroach on the capitalist economic order, and the heavy taxation of developmental profits would shrink investment incentives. But this argument did not receive any attention from the president. This was because the party's argument could not help him achieve his performance goals.

The president was attracted to the government's arguments that democracy (a goal that he strongly committed himself to and identified himself with) could be realized in the economic arena through land regulation, and that this regulatory reform could remove some institutional obstacles to the continuous

25 Non-labor income that reduces the will to work on the part of both rich and poor people, avoidance of industrial investment in pursuit of more profitable land speculation, the
economic growth which was needed for Korea to enter the group of advanced industrial countries in the future.  

During the second conflict in the summer of 1989, the ruling party linked the government's land regulation bill again with the infringement of private property right and newly with the damage of the middle class. The ruling party asserted that the government's innovative bills could hurt the interests of the middle class because these bills were too crude and allowed no reasonable exceptions. It added that the government could not control land speculation because of loopholes in the government's bills. To rebut these arguments, the chief presidential economic adviser linked land regulation to the stability of the regime. He asserted that homeless and lower class people, in alliance with radical forces that grew during the process of democratization, might make a revolt, if the government does not control housing prices through putting down the land speculation and does not make institutional reforms for economic equity.

The ruling party's argument of unconstitutionality was not related to the president's concerns. The president paid attention to arguments of the damage of the middle class and the instability of the regime. Both were interests which he difficulty of small and middle businesses to get factory site.

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26 Interview with a government official
27 Interview with the same official
did not want to sacrifice. In this debate, the ruling party made a strategic mistake. It suggested the realistic adjustment of standard bases of taxation for the control of land speculation, asserting that the government's position hurt the middle class. This adjustment also was acknowledged as a serious burden on the middle class. As of 1989, the base of taxation was 32.9% of the current price for land and 47.9% for buildings and houses. Therefore, the realization of a base of taxation meant a significant tax increase. This increase was a bigger burden to the middle class than to the rich.

Nevertheless, the thesis of middle class damage was effective in pressing the government and persuading the president for a couple of reasons. First, although most political leaders do not want to hurt middle class interests in a democracy, President Rho had particularly identified himself as the pioneer of both the democratization of Korea and "the era of average people." Therefore, he could not break his promise by putting the interest of middle class at risk.

Second, the government could not effectively rebut the thesis of middle class damage, because nation-wide and exceptionless taxes on unrealized profits from holding land (one of three key instruments advocated by the government) was accompanied by the high probability that the middle class land owner would be hurt, even though the government denied this possibility by explaining that this tax was targeted at extra-profits beyond the normal level. The government responded to
it by separating the realization of bases of taxation\textsuperscript{28} from the land regulation issue, in order to save the latter which would be wrecked by the logic of damage to middle class.

In the midst of the debates between the ruling party and the government, the president announced his opinion on August 28. He was quoted as saying "... it is difficult to achieve social stability and continuous [economic] development without a reform in land management system..." and "... it is general in democratic countries to impose inevitable limits and obligations on land for public welfare..." On September 5, he said that "... both sides should realize what the land regulation intends to achieve and be cautious not to impose a burden on the middle class..." From these statements, one can know that the president was expressing his worry about middle class damage, and his concerns with economic take-off, economic equity, and regime stability, but rejecting the thesis of unconstitutionality.

In sum, it was the president's perception that the government's position could contribute to the realization of his goals in the economic arena (advanced industrialization, economic democracy) and the strengthening of stability of his regime (which he was worrying about).

This perception was a necessary condition for his final

\textsuperscript{28} This measure had been pushed together with the land regulation.
judgment, but it was not a sufficient condition. An additional condition for his power management still has to be met. What kind of power base did the president need at that time? What did the ruling party and the government do for this power base?

The wake of democratization rapidly weakened the president's institutional power base. This trend was accelerated by the competitive four party system which was formed in the election of April 1988. His party's minority status limited his ability to enact his policy programs. Furthermore, he was obsessed with the "interim evaluation" in the spring of 1989. He struggled to set favorable terms about the nature and the timing of this "interim evaluation." At the same time, he promised popular policies to do well in the "interim evaluation" plebiscite. Although the president and opposition leaders agreed to cooperate to achieve democratization instead of postponing this evaluation election, this interim evaluation was the president's achilles' heel because the opposition could ask for it anytime.

Because of this weak institutional power base throughout the way in which land regulation was formulated, the president's power management could not but focus on building up his personal popularity as a power resource and forming

29 The issue was whether it should be an election for confidence or an election for policy performance.
policy coalitions with at least one opposition party to legislate his policies more effectively.

In this situation, the government successfully mobilized an overwhelming majority of public opinion\(^{30}\) behind land regulation policy to which the president initially committed himself. The president could obtain political credits for his power base by keeping his commitment to the government position. Land regulation was acknowledged as one of policies which could help enhance his popularity as a power source. But the ruling party did not glean any support for the president from the public or the opposition parties. Its mobilization of big business was of no help to his power management in that situation.

In sum, the government successfully got the president's endorsement in this land regulation policy because it deliberately linked issues with his performance goals in a changing socio-economic situation and successfully aligned public opinion so as to consolidate the president's power. However, the ruling party failed to elaborate its alternative instruments in new attractive legislative bill(s) or to present it in accordance with presidential concerns. Rather it hurried up to weaken the government bill in a situation adverse to it. Moreover, the party failed to mobilize power resources which the president craved at that

\(^{30}\) According to opinion poll, more than 80 % of people expressed their support for this regulatory policy.
time.

(3) Constraints and Facilitators

What factors facilitated or constrained the issue linkage and the alignment of support? Why was the ruling party less successful than the government in these aspects?

One salient feature in the court-like debate between the government and the ruling party was that the ruling party failed to develop a logical argument to rebut the government's innovative instruments. The CPA chairman's improvised rationale for rejecting the government position in April 1989 was not well-advised or discreet enough to cope with a complex regulatory issue and sensitive public opinion. Thereafter, the party was forced to oppose under the surface.

When the party came to the surface with a few rationales in August, it still was not sufficient to reverse the trend. Although the party had an impact on the president and people via the thesis of middle class damage, this rebutting thesis was not equal to the government's diverse and convincing rationales. The ruling party's alternative instruments were not accompanied with any positive rationalization which would persuade the president and people. Why could the government make attractive issue linkages, while the ruling party failed to do so? This ineffective issue manipulation can be traced in part to its information network and socio-economic situation.
The party's study team consisted of only four experts (a party policy leader, his aide, and two outside experts), and they worked for only about a week. The party leaders were in contact with the leaders of organized business interest groups in order to collect their complaints and opinions about expected consequences. But these interest groups had no comprehensive accumulated information about land problems. They had to canvass the academic community unsuccessfully for opposing rationales.

In addition, the party's policy leaders were not versed in the land problem. The CPA chairman and vice-chairmen, the OPC director and vice-director, and the chairmen of Divisions, could not provide sound judgments about this complicated and sensitive issue. Two key policy leaders, the CPA chairman and the OPC vice-director, were experts in macro-economics, not in land issues. The related CPA Division did not have cumulative information and knowledge because of the rotation of its members. A party expert-in-charge could not help but be in favor of the government position, because he should return to his department.

In contrast, the government organized a comprehensive network of information and knowledge. The government research team consisted of university professors, researchers, and government officials (see, Figure 3). In addition, the government held public hearings.

Why did the government build-up a comprehensive network,
while the ruling party failed to do so? MOC bureaucrats regarded organizing a comprehensive network as a tactic. Since they already had original policy ideas and instruments, they could draft a legislative bill for land regulation on their own. Nevertheless, the reason they suggested the organization of this network was that they needed to develop sound rationales to defend and advocate their innovative ideas against the expected opposition, and to get other departments' support by coordinating interdepartmental feuds in the

University professors
Policy Science
Public Administration
Public Law
Economics

Research Institutes
Korea Research Institute of Land Development
Korean Development Institute
Korea Research Institute of Agricultural Economy

Government Ministries
Economic Planning Board
Division of Regional Infrastructure
Division of Financial Planning
Ministry of Finance
Division of Property Tax
Ministry of Interior
Division of Tax Affairs
Ministry of Construction
Division of Land Policy
Division of Urban Planning
Ministry of Agriculture and Fishery
Division of Farm Land
Administration of Forests

Public Corporation of Land Development

<Figure 3> Members and Units Participating in Government Research Team
initial stage. They got what they wanted. However, there were no authoritative and trustworthy sources for the ruling party to contact because such sources were supporting the government position or working as a member of the government network.

The government network was wide enough to cover all authentic sources of information and knowledge about the land problem in Korea. It operated for about eight months. The party network was not organized enough to cover in-depth, systematic, and balanced knowledge and information.

As a consequence, the party information network provided no effective information and knowledge for the manipulation of the issue. The party's counter arguments, except for the burden to the middle class, were poor in number and quality and, therefore, did not draw any attention. The ruling party's argument about infringement on the constitutional right of private property failed to glean any public support. Even worse, this argument gave the government an opportunity to charge that the ruling party was the protector of the "haves." However, the government leaders could make strategic and timely use of a pool of rationale and arguments developed by the research team in defending its position against the party's criticisms and linking its position with presidential performance goals. Also, capitalizing on the data, "top 5% 

31 Retrospectively thinking, the party should have released first "vivid information about damages to the middle" to soften or change the public opinion and the president's initial commitment to the government position.
hold 65% of private land," which was provided by research team, the government leaders could identify itself with the protector of economic justice.

In sum, the quality and coverage of the information network seemed to contribute to the development of rationale for issue association and to generate critical information for winning public opinion.

The ruling party's issue manipulation seemed to be constrained by socio-economic change. Immediately after the 1988 Olympic games, land price began to increase at a high speed. The rate of land price increase was 7.3% in 1986, 14.7% in 1987, 27.5% in 1988, and 32.0% in 1989. It was felt that something should be done to control this abnormal increase. Also, entertainment industries had expanded swiftly. The flourishing entertainment industry absorbed labor forces and investment funds for manufacturing industries. Manufacturing industries recorded a meager 3.1% growth rate, whereas service industries recorded a brisk 7% increase. Labor disputes and strikes began occurring in March, one month earlier than 1988. As a partial result, exports started to decrease.

This socio-economic situation provided the government leaders an opportunity to connect land regulation with economic take-offs and equity. Capitalizing on this situation, the government argued: <1> that land price increases were caused in large part by the land speculation of rich people;
that this speculation drove money for investment in manufacturing industries into the purchase of land\textsuperscript{32} and, therefore, brought about the low growth rate in manufacturing industries; \textit{<3> that non-labor income and the high price of houses, caused by land speculation, reduced the will to work\textsuperscript{33} and led to overconsumption on the part of both the rich and the poor; and, therefore, \textit{<4> economic growth and economic equity would be impossible without a reform in land regulation.}

At the same time, the government linked the seriousness and urgency of the issue to the nature of the policy instrument. The sharp increase in land prices in 1988 (27.5\%) and 1989 (32.0\%) concentrated in the fourth quarter of 1988 and the first quarter of 1989. The price of land increased more than 300\% in the case of forests and farms adjacent to a newly planned residential town near Seoul, and more than 100\% in the case of forests and farms adjacent to expected zoning

\textsuperscript{32} Actually it turned out later that during the period of 1986 to 1989, 26 \% of 33 billion dollar trade profits was used by big businesses to buy land. Many economic experts claimed that land speculation caused the negligence of investment for technology development and international economic competitiveness that in turn brought about trade deficits since 1990.

\textsuperscript{33} High income people were not willing to work because of their non-labor income. Low income class also were reluctant to work hard because they could not buy a house in spite of hard work and saving. A majority of people tended to spend all their income without saving.
of industrial facilities in local areas. This price jump in the early 1989 was sending a cue about the nature of the policy instrument, beyond simple indication that something should be done. Therefore, the government argued that the incremental approach which the party preferred would not cope with this crisis.

Entering the summer, labor disputes grew explosive. They began to be more massive, radical, and enduring. As a result of the soaring price of housing, rent began to emerge as a new issue in incessant labor disputes in spite of wage increases beyond the increase in productivity or consumer prices. The depressed homeless salarymen were perceived to be on the brink of explosion with their complaints. Due to the frequent labor disputes, exports were delayed and reduced, and, more importantly, the attitude that businessmen were not willing to operate the manufacturing enterprise spread rapidly

34 Yunhap Yungam [Yunhap Yearbook], 1990, p.128.

35 In 1989, the number of participants increased 35% and the days of dispute increased 92% .( Yunhap Yungam, 1990, p. 124.

36 In Seoul and its neighboring area, the price of condominiums increased 40% during the period of November 1988 to March 1989.

37 During the period of January to October, real wage increase was 14.1%, whereas increase of consumer price was 5.8%. Average increase of productivity in the 1980s was 11.7% .(Yunhap Yearbook, 1990, p.126).
in the business community.

These increased and massive labor strikes provided another opportunity for chief economic advisers to associate land regulation with regime stability. Seizing this labor situation, the chief presidential economic secretary claimed that the revolution of leftist forces might occur without reforms. This "revolution argument" was instrumental in keeping the president adherent to the government's innovative approach, even when his initial commitment was shaken by the ruling party's thesis of middle class damage.

But these socio-economic situations worked as a disadvantage to the ruling party. The party could not seize an opportunity to persuade people and the president effectively because of adverse socio-economic situation, even though they found the expected negative consequences of the government innovative instruments and the merits of their incremental approach. As party policy leaders admitted, they were tossed by this situation.

Taking advantage of the conservative political atmosphere from May to August (which was created by the unauthorized visits of some radicals to North Korea, radical student demonstrations, and tough responses by public peace agencies to these accidents), the ruling party attempted to link land regulation to "the infringement of private property rights." But this political situation gave the ruling party no advantage, because this conservative atmosphere was temporary
and did not spill over into the economic arena. This conservative political situation had no direct relation to the land problems. Despite the fact that the situation offered an opportunity for issue association, it did not seem to guarantee the effectiveness of the linkage.

<2> Another conspicuous feature was that the ruling party could not effectively align public opinion and build internal coherence behind its position. The ruling party could not even weaken public opinion that the government rallied against the expected opposition from the ruling party and big businesses in April and May, although it attempted to reverse public opinion in August. Furthermore, the ruling party could not effectively handle the issue with firm resolve. It was unable to build internal coherence in the Central Executive Committee in June. It also failed to organize a demonstration subcommittee in early September. The party senior members did not have a consensus on its policy position, and refused to accept the leadership of the subcommittee. Why did the ruling party failed to attract public opinion and to achieve internal coherence? The failure of the party can be traced to the lack of information control, ineffective issue linkage, and the dynamics of perspectives and power among key incumbents.

In this case, a powerful weapon to galvanize public
opinion was a piece of information, "Top 5% hold 65% of private land." It was a shock to all people, even to the owners of large amounts of land. The mass media quoted this fact everyday. But although the ruling party had worries in August about another shock to the middle class that the taxation of extra-profits from holding land might cause,\textsuperscript{38} the ruling party could not vividly present this shock. The party could not influence public opinion by an argument that this tax might hurt the middle class. The party had no capacity or network to reach raw data and estimate this expected burden. But this argument impressed the president, not public opinion, and contributed to weaken this tax in final coordination.

The government's effective issue manipulation expanded its base of support. This issue manipulation was effective in winning not only most ordinary people but also social groups and influential actors, who were committed to neither side yet. These issue linkages provided social groups with the ability to make clear their interests and positions. The Central Committee of Small Businesses sided with the government, after its members were encouraged by the

\textsuperscript{38} When the Comprehensive Land Tax was imposed first in December 1989, the increased tax for some categories of tax payers was 20 times. This was another shock to the president, the government, and political parties, because of the fear that it might cause tax resistance and be shifted to rent and the price of commodities.
government's argument that factory sites would be supplied more easily to real demanders through the efficient management of land on supply and demand sides. The Association of Banks also welcomed this regulatory bill when it heard the government's argument that this bill would make it difficult for money in banks and financial markets to ebb out into land speculation.

The internal coherence of each camp was affected by the dynamics of perspectives and power among key incumbents. The DPM (the EPB minister) and the chief presidential economic secretary shared a firm view on institutional reforms, even though they had quite different perspectives on other policy issues. They both thought that innovative and direct regulation was indispensable to control land speculation permanently. But the first MOC minister had a different perspective from these two leading proponents and

39 Many small and middle size businessmen, particularly new entrants, had difficulty in securing factory sites. But big businessmen held huge amounts of land for future investment or speculative purposes. On May 8, 1990, the government urged ten big businessmen to sell their land which was not used for productive purpose.

40 For example, they had a shared perspective on institutional reforms, economic stability, regulation of big business conglomerates, and expansion of housing for the low-income class, but they had different attitudes on privatization of the public enterprises of Korean Heavy Industry.

41 He was replaced in July, 1989.
his bureaucratic subordinates. He thought that land speculation could be controlled by tightening existing tax instruments. This position is the same as that of the ruling party. Nevertheless, the MOC minister did not push his own perspective in the government process and even in his department, although he was the minister in charge of the land problem. The MOF minister was passive toward the upper limit on housing lots, but active toward extra-profit taxation on land holding.

The MOC minister did not enjoy the president's confidence, a valuable power source for a minister, because of his mishandling of the condominium price policy in the spring of 1989, even though he had been a chief presidential economic secretary just before he was appointed to the MOC minister. The DPM minister was not only the chief of economic ministers, but also kept one-to-one confidential meetings with the president every week during this time period. This status was an effective asset for him to control the bureaucracy, even though he was ignorant of bureaucratic politics.

Another reason why the MOC minister did not push his opinion was that the chief presidential economic secretary, who had a different opinion from that of the MOC minister, was in control of the directors-general in all the departments involved. This unusual arrangement was allowed by the president because the chief presidential economic secretary was a former bureaucrat who could cover the lack of
executive power of key scholarly ministers.\textsuperscript{42} In spite of their knowledge about departmental affairs, key scholarly ministers did not have a sufficient control lever in the department because they did not have experience with bureaucratic politics. The MOC director-general of land policy, who was an assertive advocate for innovative measures, was well-tuned with the chief presidential economic secretary, rather than with his own minister. The MOC minister could not control the relationship between his director-general and the chief president economic adviser.

A new MOC minister, appointed in July, was active in pushing the government's position because he thought that strict measures should be imposed on land speculation even though he did not know exactly what these measures were. He needed to rely on the director-general of land policy, because he did not have sufficient knowledge about land affairs given that he was a former military general.

As a result, the EPB position was controlled by its minister, whereas the MOC's position was controlled by the director-general-in-charge who had the same opinion as the EPB minister and the chief presidential economic secretary.

On the ruling party side, the CPA chairman and the OPC vice-director had a different view from that of the Secretary-

\textsuperscript{42} He was famous for his power to push government affairs. Later, his position was leveled up from vice-ministerial to ministerial rank.
General. A few non-policy expert senior leaders, including the Secretary-General, had a view that political and economic reforms should be done to get a majority power in the next election and to become an advanced country. But other policy expert leaders thought that such a reform shock should not be given to a fragile and complicated economy. The Party Representative was on the side of the policy expert leaders. The ruling party had no consensus on its policy position by mid-August, 1989.

The consensus or discensus on the policy position in each camp was instrumental in demonstrating to the president and to people the trustworthiness and persuasiveness of the policy position, and in orchestrating its various strategic efforts, whenever necessary, against the other's opposition. This coherence was determined by the internal dynamics and power structure in each camp. In these aspects, the government had the advantage. Therefore, the government could organize quickly the Government-wide Committee for Promotion of Regulation of Land as a Public Good which worked not only as a bulwark against a full-scale opposition by the ruling party in August but also as a strong signal to the president that the innovative position was not the opinion of one department, but of all departments. But the ruling party could not show its resolve and orchestrate its strategic efforts until their perspectives converged.
(4) Summary

From the analysis of land regulation policy case, the following assertions can be made.

First, policy conflict between the ruling party and the government was settled by the president's arbitration. Both camps failed to iron out differences between themselves.

Second, before the president's final judgment, both camps attempted to influence his judgment through the connection of issues and the mobilization of outside forces and internal coherence.

Third, to the degree that issue connection and political mobilization are made in accordance with the president's performance goals and power management strategy, each camp can influence the president's judgment.

Fourth, issue linkage is affected by the scope and quality of information networks and the change of economic situation. The mobilization of support is influenced by information, the perspective and power of incumbent leaders, and issue linkage.

Fifth, therefore, the reason for the ruling party's failure to change the government's position was that the party did not make effective issue linkages and support mobilization in accordance with the president's performance goals and power build-up, because it had a poor information network, an adverse economic situation, internally different perspectives, and ineffective issue manipulation.
CHAPTER V

REGULATION OF FICTITIOUS NAMES IN THE TRADE OF
FINANCIAL ASSETS (Case 2)

1. Background

The regulation of fictitious names\(^1\) in the trade of financial has two main purposes. One is to identify real owners of hidden money in order to correct its negative effects. The other is to apply a Comprehensive Income Tax to large gains coming from the hidden money in order to realize the equity of tax burden.

The greatest portion of hidden money takes the form of deposits, stocks, bonds, or private loans made under fictitious names. This hidden money has contributed to economic growth as investment in industries when it stays in financial markets. But allowing the use of fictitious names in financial markets has been accompanied by non-productive allocation of resources and ethical damage to society. First,

\(^1\) Here they include <1> unreal names, such as 007, ABC, <2> assumed real names whose holders do not exist, and <3> borrowed names whose holders are known to their users, such as acquaintances' names.
it expands the underground economy as national wealth expands. The ratio of underground economy to GNP was 7.3 to 8.5 % in 1965, 10.8 to 12.4 % in 1970, 15.7 to 17.5 % in 1975, 16.8 to 18.0 % in 1980, and 16.0 to 17.3 % in 1985. As of 1988, the underground economy was estimated to amount to about 20 % of GNP. Political corruption has been facilitated by its large size. Second, hidden money has been easily pulled out for speculation in land and houses because the flow of this money could not be traced or controlled. Third, hidden money has cut into the efficiency of national economy by facilitating the concentration of national economic power in big business and the permanent family control of gigantic

2 The expansion of the underground economy has been expedited because of government mobilization and distribution of resources for rapid economic growth in 1960s and 1970s, speculation in land and condominiums, as well as the general practice of private loans. Social demands for stringent ethical standards of political and government elites and the social tendansy to suspect that the rich and wealthy people might accumulate their wealth illegally, also contribute to the expansion.

3 A huge amount of election campaign money has been collected through bank accounts kept under fictitious names from underground economy.

4 Non-real named stocks of business investment can be easily pulled out to launch another business. The financial crisis of the original business, caused by this pull-out, can be averted by the low-interest loan, if it was a manufacturing corporation. The government cannot avoid assisting this endangered business for fear of unemployment. This was an abused mechanism for big businessmen to expand their empires.
business conglomerates.5

In Korea, gains coming from securities and deposits have been treated favorably by the government for the purpose of mobilization of domestic funds for economic development projects in the 1960s and 1970s. They have been separately taxed at a lower rate than that of income tax on proceeds from labor. In 1982, income coming from financial interest and dividends was separately taxed at a 10% flat rate, whereas labor income was progressively taxed up to 75% according to the amount of income. In 1988, the former was taxed at 10% for real names and 40% for fictitious names, while the latter in 5 to 50% rate. Gains from a private loan business have evaded taxation because it is difficult to catch. And huge financial assets have been inherited without paying tax. As a result, the large portion of government expenditure has been buttressed by labor income tax rather than financial income tax.

These loopholes in the trade and taxation of financial assets have contributed to social conflict over the legitimacy of wealth. They have fostered negative views toward big businessmen and the frustration of hard-working laborers of low income. Thus, they have been perceived by the government tax and budget authorities as serious defects that need to be corrected sooner or later.

5 By using a number of fictitious names, a person or a family can hold a large share of stocks of a firm beyond the upper limit of shares a person can hold legally.
Since the regulation of fictitious names in financial trade is a prerequisite to economic health and justice in Korea, it had been debated in the government whenever the reform of tax system was introduced 6 before two attempts to adopt such regulation were made.

The idea of this financial regulation had not received much public attention, for internal and external reasons, until an incident of serious bill fraud 7 propelled the financial market to the edge of breakdown in May, 1982, and drove into a corner President Chun's administration which had pledged to erect social justice. In the wake of this financial accident, a few government bureaucrats secretly prepared a measure to regulate the underground economy and announced it

6 The first debate was held in 1974 when a comprehensive tax was partially introduced and the second in 1977 when a value-added tax system was implanted. In the Spring of 1981, MOC bureaucrats suggested a heavy tax on the financial income of fictitious names, but they were only scolded by politicians.

7 A man and his wife sought, by using a special relation with the president, a bill of triple face value as security for private loan to businessmen in urgent need of money. Then, they sold these bills at discount and bought stocks. The amount of money they managed was estimated to be a few hundred billion Won, and it caused the stock market to collapse. The wife was a remote relative of the first lady. To save the stock market, the government released almost the same amount of money. Two government ministers were replaced, two big businessmen and two presidents of big banks went to jail. This accident was detrimental to the moral reputation of the administration and to price stability, which was a top priority policy of the administration.
on July 3, 1982, as soon as they got the president's approval.

The content of this measure was <1> to regulate fictitious names in financial trade beginning on July 1, 1983, while abolishing the "Law for Guarantee of Secrecy of Deposits and Savings," and <2> to impose a "Comprehensive Income Tax" on income from financial assets. In the process of changing fictitious names into real names, the investigation of the sources of illegitimate money is excluded <1> when the money is less than thirty million Won per person, and <2> when real owners pay a 5% levy, invest their personal money into legal companies, buy bank stocks, or establish mutual trust funds, even if the amount of money surpasses thirty million Won. Non-compliance leads to the investigation of sources and the imposition of inheritance and donation tax.

This plan met serious opposition from the ruling party because of projected negative effects and insufficient administrative preparations. The party first weakened its content and then attempted to cancel it. Inevitably, the government compromised with the ruling party, on the condition that both sides enacted the plan in the fall of 1982, and that the government would implement it from the day to be specified in the presidential order after 1986. In 1986, implementation was delayed again.

8 This law was enacted in 1961 to mobilize money from the underground economy into investment in industries.
Since this issue was raised in 1982, financial regulation was a salient and popular issue not only because it had been a symbol of economic justice, but also because it had been regarded as a panacea for all the ills of the Korean economy. It was applauded again six years later as the political regime began to democratize in 1988. Eruptive demands for social equity stimulated the implementation of this program. The ethical aspect of hidden money was the focus in 1982, whereas the equity aspect was highlighted in 1988. The ruling party utilized this issue in the 1987 presidential and 1988 National Assembly election campaigns. Then, the government planned in 1989 to implement the Law, starting in 1991, after reexamining and modifying it.

In 1989, in order to avoid both political opposition and negative effects on the economy, the government reviewed the main issues, such as the appropriate scope for investigation of hidden money sources, extension of a 'Comprehensive Income Tax,' taxation of profits from trade of securities, and the extent of secrecy guarantees for depositors. On the basis of this review, the government was developing policy options for each issue for public debate and political choice.

During this preparation, the effort to revise and implement the Law was cancelled again after pressure from the ruling party. As the government effort progressed, the party at first focused on modifying clauses unfavorable to it and then opposed even modified version of the Law. It was
2. Process of Policy Conflict and Settlement

Agenda Setting

In December, 1987, Rho, the presidential candidate of the ruling party, announced that, if elected, he would institute the regulation of fictitious names in financial trade, together with a tax reform, immediately after 1988 Olympics. Taking advice from the director\(^9\) of the Office of Policy Coordination in charge of presidential campaign promises, the ruling party put this issue on the campaign agenda. The party was motivated to do so not only because it acknowledged the need to solve the economic inequity, but also because it felt in the middle of the election campaign the need to take the initiative over the opposition parties in the field of institutional reforms.

On January 29, 1989, close to the National Assembly election scheduled in April, the ruling party reaffirmed its commitment to this financial regulation. After consultation with the MOF, the ruling party announced its decision to

\(^9\) He was a former MOF minister. This Law was legislated in 1982 under his leadership and that of the chief presidential economic adviser.
implement the Law of Real Name Trade of Financial Assets (which was enacted in 1982) in 1991 after strengthening the computerized system for income data and preparing the mechanisms to prevent land speculation and overseas drain of money.

As the ruling party committed itself to the Law and the government advisory committees\(^{10}\) as well as research institutes\(^{11}\) strongly recommend it, the government took over the issue after the April election. During the revision in 1988 of the 'Sixth Five-Year Plan for Social and Economic Development'\(^{12}\) to reflect the new president's policy line and the evolving political and economic situation, the government

\(^{10}\) Deliberation Committee for Tax System Development, Deliberation Committee for Financial Industry Development. Usually these committees consisted of members from the academic community, interest groups, and the press.

\(^{11}\) Korean Development Institute (KDI), Korean Institute for Economic Affairs (KIEA). The former was established by EPB, whereas the latter was established by the Federation of Business Industries, an association of big businessmen. KDI recommended the regulation of non-real names in trade of financial assets to correct deteriorating distribution of income and wealth between social classes. But KIEA asked the immediate implementation of regulation of fictitious names in trade of financial assets in order to prevent money from flowing into non-productive speculation in land, house, and stock, rather than into productive investment in business and industries.

\(^{12}\) According to this revised plan, the government set the goal of economic growth rate at 8 % in 1988, and 7 % in 1989 and 1990. Also the government planned to reduce foreign debt from 15.5 billion dollars in 1988 to 4.5 billion dollars in 1990 by achieving foreign trade profit of 7 billion dollars in 1988, 6.7 billion in 1989, and 6 billion in 1990.
set economic growth rates at 8% in 1988, 7% in 1989, and 7% in 1990, and trade profits at 7 billion dollars in 1988, 6.7 billion dollars in 1989, and 6.0 billion dollars in 1990.

After reporting to and getting approval of the new president, in May 1988 the government formally announced a "plan for the management of tax system for economic justice," including the prohibition of fictitious names in financial trade and the extension of a "Comprehensive Income Tax." According to the government claims in this plan, while this regulation was delayed, the tax inequity between the labor income and the financial income was increasing and the evasion of inheritance and gift taxes became greater. Furthermore, the effectiveness of the government policy was undermined because amounts of unregulated money shifted between financial markets and land markets, accompanied with speculation. By this announcement financial regulation became government policy, away from the ruling party's campaign commitment.

In September, 1988, the vice-minister of EPB, together with the directors-general, determined to implement this financial regulation as soon as possible, examining the direction of management of the economy. They made this choice for a couple of reasons. First, a "Comprehensive Income Tax" should be extended earlier to financial income for new revenue\(^{13}\) because the government could not secure the amount of tax from interests and dividends has increased 5.2 times for the period of 1980 to 1987. As of 1987, tax from interests and

\(^{13}\) Under the separate and flat-rate system, the amount of tax from interests and dividends has increased 5.2 times for the period of 1980 to 1987. As of 1987, tax from interests and
financial resources for welfare expenditure and developmental projects. The need for new revenue sources increased due to the president's promises and the MOF's revised taxation scheme of 1988. This revised taxation scheme expanded the amount of tax-free labor income and turned a revenue source over to local governments. Second, the implementation of regulation of fictitious names in financial trade, which requires strong political commitment, would be more difficult in 1991 and 1992 when a local election, a general election, and the presidential election would all be held. This regulatory reform needed to be done before 1991.

Thereafter, EPB and MOF were in conflict about the timing of implementation and the scope of exceptions allowed in the Law. The MOF was cautious and conservative, whereas the EPB was bolder and more reformative.

New Economic Team and Institutional Set-up

The institutional reforms began to gain momentum from the government reshuffle of December, 1988, in which the reform-minded leaders were appointed to the DPM and chief presidential economic secretary. On taking office, they committed themselves to two crucial economic reforms (one of dividends is 349,224 million Won and occupies 34.6% of total labor income tax. If comprehensively taxed, it was estimated to become an important revenue source equal to labor income tax. (Statistical Yearbook of National Tax, 1987)
which was the regulation of fictitious names in financial trade), directing the government economic management toward structural reform and economic stabilization. These reforms were designed to correct the negative consequences of unbalanced rapid economic growth as well as to cultivate an economic structure for moving toward advanced industrialization through the removal of institutional obstacles.

The government leaders repeatedly notified legislators of the implementation of this financial regulation and explained to the people and the mass media the need for this regulation. At the same time, logically the implementation of the new Law could only be effective after a mechanism for the prevention of land speculation was implanted first in 1990. Therefore, the EPB agreed to MOF's assertion that the regulation should be implemented in 1991 after the revision of it in 1990. The MOF prepared to set up preparatory arrangements.

In the midst of rising demands for economic equity and institutional reforms, in April, 1989, a research team, called "Preparation Team for Real Name Trade of Financial Assets,"\textsuperscript{14} was established within MOF in order to examine effects on the economy and recommend policy options for the revision of the

\textsuperscript{14} This team consisted of five divisions.  
Division of General Affairs  
Division of Finance  
Division of Stocks  
Division of Tax System  
Division of Tax Administration
Law of 1982 and related statutes. On July 12, the government established a task force, a "Committee for Promotion of Real Name Trade of Financial Assets," within MOF in order to specify a legislative bill on the basis of recommendations provided by the research team and to coordinate all efforts to implant a new financial practice in the existing financial arrangements. This committee was composed of vice-minister of MOF (chair), 10 directors-general of ministries involved, and 13 representatives from relevant financial institutions. On July 22, parallel task forces for implanting a new practice were set up in all financial institutions.

The outlined schedule was to elaborate policy drafts for revision of the Law of 1982 until the end of 1989, to aggregate public opinion on the government draft through public hearings and policy coordination with the ruling party in the first half of 1990, to revise the Law of 1982 and related statutes in the second half of 1990, and finally to implement the new Law in 1991.

Basic Attitude of the Ruling Party

As the regulatory reforms began to be prepared for

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15 This section is similiar to the relevant section of land regulation, because both issues were handled together by the EPB minister and the chief presidential economic adviser during the spring of 1989. The fate of the land regulation issue was determined in August and early September, 1989, while the issue of financial regulation was dealt with during the period of the November, 1989 to March, 1989.
implementation step by step by the government, the ruling party began to express its worries about the implementation of this Law. Unlike the party's commitment to it during election time, some party leaders, including new chairman of Council of Policy Affairs, thought that this regulation might hurt the constituency of the ruling party.

In anticipation of opposition from the ruling party and the "haves," the new reform-oriented DPM and chief presidential economic secretary asked the president to express his economic philosophy, arguing that institutional reforms were necessary for economic democratization and another economic take-off. On April 12, the president responded by saying that the government should hurry up to extend a Comprehensive Income Tax through the regulation of fictitious names in financial trade. He pinpointed income inequity between social classes as one of the serious structural problems for the government to solve.

After getting the president's support for the government reform measures, the DPM and chief presidential economic secretary decided to sway public opinion in order to prevent possible opposition to their policy position. They emphasized the need for the concession of the "haves" and institutional reforms for economic justice and another economic take-off. They were very successful in attracting public opinion to their side.

While the government effectively persuaded the general
public, the ruling party was cleft internally in its perspectives on institutional reforms. In the Central Executive Committee meeting of June 18, some members, including the Secretary-General, supported the government's ideas in response to overwhelming public opinion, arguing that the ruling party should support economic reforms for keeping a liberal democratic regime through the resolution of complaints and conflicts in a society. Other members, especially incumbents from party policy making organs, however, argued for the postponement of institutional reforms because of economic recession which had began to be conspicuous recently. This group expressed the cautious opinion that the government approach might carry more costs than benefits, both economically and politically. But these prudent members in the party could not make public their worries for fear that they would be regarded as opponents. As a compromise, members agreed to wait and see the trend of public opinion.

As the public debates got heated between social groups in July, the Secretary-General of the ruling party announced that he was considering employing a roll-call vote, instead of an unsigned secret vote, on the economic reform bills in the legislature. A roll-call would, he hoped, prevent members from yielding to partisan and personal interests or pressure from financial supporters.
Minister of Finance's Agony

When the leading proponents of institutional reforms in the government, especially the DPM and chief presidential economic secretary, struggled with the incumbents of policy organs of the ruling party for land regulation bills, the MOF minister began to release the anticipated difficulties in implanting new financial practice, while he cooperated in pushing the land regulation bills.

On July 12, he told reporters that the MOF faced greater difficulty than anticipated and was spending most of time in developing policy options for the prevention of negative consequences. He expressed his agony that since the regulation of fictitious names in financial trade was not a simple change of the Law or institutional structure, but a change of a financial practice and custom of long standing, it might cause economic confusion if pushed in a hurry. He added that MOF would reduce the circulation of certified bank checks\(^\text{16}\) and block the inheritance of huge amounts of money through financial assets of fictitious names.

Starting in the summer, big business conglomerates that had sold their stocks in a large scale began to operate secret task forces to protect their hidden money. These secret task

\(^{16}\) Cash is exchanged in any bank for this type of unsigned check. As of 1988, the value of bank checks circulated amounted to 12,400,000,000,000 WON, % of total currency. This check is circulated like currency of high value.
forces were set up to study the experiences of foreign countries and develop scenarios for coping with the government measures that would be substantiated soon. As the land regulation bills turned out in September to be enacted in the legislature, the ruling party worried that the financial regulation also might be realized in spite of its opposition. Leading members of the party were determined not to allow the government reformers to win the day again in this financial regulation.

In this situation, sporadically throughout August to October the MOF released reports of expected negative consequences and some ideas they were considering to cope with them. The MOF promised to strengthen guarantees of secrecy to alleviate the uneasiness about the traceability of private life, and to allow separate taxation for small financial income to allay worries about comprehensive taxation and the drop in deposits such worries would cause. The MOF announced that it would promote the use of credit cards and personal checks, at the same time of reducing the use of bank checks and requesting signatures on bank checks. Also, the MOF announced that it was preparing mechanisms to prevent the escape of money overseas, speculation on real estate, and diversion of money from the stock markets.17 At the same time, the MOF stressed that a majority of people would not

17 These announcements were known to generate more fear among middle class people, because the MOF did not clarify the details of policy content.
have any burden.

In mid-October, the president announced in his speech for the new year's budget that he would turn to the financial regulation issue and decide on it after checking opinions and ideas about it. The ruling party and big business, depressed by their failure to block the government land regulation policy, began to launch their opposition more systematically.

The ruling party also began to step up its criticisms of the overall economic management of the government economic team, referring to the emerging negative effects of government regulatory policy that the ruling party had expected. But due to undeniably persuasive rationales and overwhelmingly favorable public opinion for the reformative regulation, the ruling party could not make its opposition public. Instead it tried to weaken the content of the regulation through informal contacts with the MOF by the OPC vice-director. Big businesses tried to lobby influential actors at strategic points to influence public opinion and presidential decision making. At this time, opponents began to release the possibility that the lower and middle classes would be hurt by the financial regulations which the

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18 See next section.

19 Including the flow of money out of stock markets, and real estate speculation.

20 This effort to weaken the reforms continued to the January of 1990.
government was preparing. If money flowed out of stock markets and banks into land speculation in the wake of financial regulation, this regulation would result in the increase of rent and housing prices, economic shrinkage, and unemployment, which in turn would hurt the lower and middle classes.

To this increasing opposition in late 1989, MOF bureaucrats asked their minister to reveal the draft proposal in order to sweep aside exaggerated fears among people and to preempt opposition forces by reducing the reasons for opposition. But the MOF minister rejected this strategy. He thought that financial regulation should not be hurried or pushed in a radical way. Also, since he did not have the capacity or confidence to repel this opposition, he would not be assertive for the reform policy and wanted to identify the president's intention.

Economic Debates and Wavering President

Entering the fourth quarter of the year, the economic recession had become clear. Economic growth rates, which reached 12 to 13% for the last three years, began to decline in early 1989 and fell to 6.5% in the fall of 1989. Growth rate in manufacturing industries had declined. Average stock price as an indicator of investment was declining after March, 1989. It rose a little in August and September, but it again started to decline. The balance of trade also began to deteriorate. In August, it registered a deficit for the first
time since it had become positive in February, 1986. Even though trade still maintained profits due to the decline of imports, exports were declining rapidly after early 1989 and they were expected to fall short of the goal of 1989.

Capitalizing on this economic situation, the ruling party began to criticize the government's economic stabilization policy and institutional reforms and to play up worries about economic recession. The government rebutted these criticisms, resulting in the difference in interpretations of the economic situation and prescriptions for it.

The CPA chairman asked the government to take measures for the stimulation of economic growth and investment, diagnosing the economic situation as a serious recession. He asserted that it was time to nurture the feeble economy through assistance to exports and manufacturing industries rather than to institute financial regulation that would hurt economic vitality. He emphasized that the weak economy would break down to an unrecoverable point if financial regulation was instituted. But the DPM rejected this request by judging that the Korean economy was entering a stage of structural adjustment after a peak in the economic cycle. He felt it was time to rearrange economic structures for economic growth in the future. The government thought that economic growth was returning to normal levels of 7 to 8% after overheated rates of 12 to 13% growth in the past three years, and that the lowered economic growth rate was a result of the government
stabilization policy. The government considered selective financial and tax assistance to the manufacturing industries which suffered from labor disputes. Siding with the ruling party in this debate, the business community complained about the DPM’s ignorance of the business world. This kind of debate over the economic situation and prescriptions continued until early February, 1990, when the president's position on the management of the economy in a new political and economic situation began to be clear.

Through this debate, the ruling party succeeded in squeezing a couple of measures from the government in late 1989. In November, the government changed its original position and took a partial measure to boost the economy, including lowering of the interest rate by 1 % and expanding the money supply. This was a response to the need for fueling the economy in the face of an unexpected continuous decline and to the ruling party’s urge and business community's outcry for the activation of the economy. In December, the government (MOF) took another measure to halt declining stock prices. The government mobilized five trillion Won and induced investment trust companies to

21 The ruling party asked for 3 %.

22 According to the MOF official, this measure was a symbolic response to the ruling party's position and the complaints from business community. It was reported that the EPB initiated this measure, while the MOF was reluctant to adopt it.
purchase stocks on a large scale.

Toward the end of the year, the president summoned three key policy actors and asked them seriously what to do for the regulation of fictitious names in financial trade. They had different opinions. The DPM argued for instituting regulation with its original intention in spite of some negative effects. He claimed that if economic reform was not realized in accordance with political democratization and enhanced awareness for economic equity, political and economic unrest would ensue and it would be impossible for Korea to become an advanced industrialized country, as had happened in a few Latin American countries. On the contrary, the CPA chairman of the ruling party opposed this regulation, claiming that negative effects would be so serious that instituting this financial regulation in an adverse economic situation would push the economy to the brink of collapse. The MOF minister wanted to institute reform in a loosened format. The president's will began to weaken. He wanted to wait and see the trend of the situation, seeking more consultations before making a final decision.

During this time, a radical increase of comprehensive land tax was leading to tax resistance from public and private enterprises and independent farmers.\textsuperscript{23} The tax burden jumped

\textsuperscript{23} The Law of Comprehensive Land Tax was enacted in the Spring, 1989. The first tax was determined and announced in the December, 1989, in order to implement this Law starting in
to more than ten times as much as that of the last year in the case of a few large hotels, and several times as much in the case of public enterprises and public banks. Private businesses such as house construction companies clamored against the government policies. The opponents of regulation of financial trade stressed that this increased tax would contract business investment and economic activities and would be shifted to rent and the price of commodities. They attributed these baneful consequences to the fact that this tax was legislated by a push of public opinion.

In his New Year Address on January 10, 1990, the president committed himself to a step-by-step approach to the regulation of fictitious names in financial trade, emphasizing simultaneously institutional reforms for economic equity and government assistance to manufacturing industries and exports. One week later, the president asked the DPM and chief presidential economic secretary to take a cautious approach to the financial regulation, making up his mind to reflect opinions of business community on economic policy making.

Convergence of Positions and Another Undercurrent

Encouraged by this statement, the MOF began to fix the details of financial regulation. On January 24, the MOF 1990. The original tax rate was set at 2% in the policy coordination meeting between the ruling party and the government. But it was increased to 5% in the legislature by the pressure of the opposition parties.
revealed the basic positions it had finalized and its policy options for controversial issues; these choices would follow public opinion. So far, the MOF minister wanted to identify the president's intention, hesitating between the expected negative consequences and the undeniable rationale of the regulation, and releasing bit by bit the policy options the MOF were considering to reduce negative consequences. Now his incremental approach was accepted by the president.

The ruling party also concentrated its effort on reducing the negative consequences of this financial regulation in tune with the president's intentions. The CPA chairman said that financial regulation would be instituted as scheduled, but it would be done incrementally after the elements that might be accompanied with economic shock were removed. The OPC vice-director suggested a few alternatives in relation to the

24 According to the MOF outline of financial regulation, 
<1> all financial assets such as stocks, bonds, deposits, and bills should be traded in real name;
<2> financial institutions can not provide information without the consent of client, but exceptionally they are obliged to give information when courts issue a warrant for information, when the tax authorities investigate tax-evasion of the client, and when supervising agencies ask for information;
<3> 'Comprehensive Income Tax' will be imposed on high financial income, and low financial incomes will have a choice between comprehensive tax and separate tax;
<4> The investigation of money sources for tax purpose will be exempted, but as to more than a certain amount, the investigation will be exempted when it is used to buy long-term low-interest public bonds or to invest in industries;
<5> Profits from trade of securities will be taxed, but details will be incrementally determined in consideration of the situation of stock markets.
investigation of sources of real-named money\textsuperscript{25} and the taxation of financial income.\textsuperscript{26}

These alternatives were similar to those of the MOF.

The policy positions of the party and the government were converging in January. The incremental approach began to dominate the policy community. The MOF accelerated its remaining work for the first public hearing scheduled in March.

But there was another undercurrent in the ruling party, which might be decisive to the fate of the regulation of fictitious names in financial markets. As the president's commitment began to waver in the late December, 1989, under the leadership of the CPA chairman, the ruling party set 10 tasks\textsuperscript{27} for the party to push in 1990. Five tasks\textsuperscript{28} are

\begin{itemize}
\item They are; <1> the activation of economy; <2> political democratization; <3> public peace and order; <4> prevention of environmental pollution; <5> expansion of housing supply for laborers and low-income class; <6> solution of traffic congestion in metropolitain area, <7> promotion of technical
\end{itemize}

\textsuperscript{25} According to the laws, the tax authorities should investigate sources of money to check tax-evasion. The ruling party was considering exemptions of this investigation for amounts under fifty million Won per adult and for money used to buy long-term bonds for industrial investment, housing construction, and roads and subways expansion, even though this money exceeded the limit.

\textsuperscript{26} For example, people in the upper bracket of financial income are taxed comprehensively and progressively, those in the middle bracket are allowed to choose between comprehensive taxation and separate taxation, and those in the low bracket are taxed separately at a low rate.

\textsuperscript{27} They are; <1> the activation of economy; <2> political democratization; <3> public peace and order; <4> prevention of environmental pollution; <5> expansion of housing supply for laborers and low-income class; <6> solution of traffic congestion in metropolitain area, <7> promotion of technical
urgent problems to people's livelihood and require vast public expenditure for their solution. Two tasks\textsuperscript{29} are what the president asked the ruling party to take the initiative in resolving. Three tasks\textsuperscript{30} reflect the president's historical missions: democratization, prosperity, and unification. One characteristic to note here is that the activation of the economy was given top priority, while the economic reforms were dropped. The CPA chairman announced them on January 4, 1990, and then began to spread his ideas.

The CPA chairman inserted five urgent problems in the president's New Year Messages.\textsuperscript{31} In a Central Executive Development; <8> development of agricultural and fishing villages, <9> education and culture, and <10> northward diplomacy for unification.

\textsuperscript{28} Public peace and order, environmental pollution, traffic congestion, technical development, and education and culture.

\textsuperscript{29} Housing supply, and agricultural and fishing villages

\textsuperscript{30} Democratization, activation of economy, and northward diplomacy.

\textsuperscript{31} The president's New Year message is written and finalized through a few steps. First, the presidential secretaries in each expert area collect ideas from related government departments and examine them. Second, the president's press secretary writes a draft on the basis of policy ideas turned over by other secretaries. Chief secretaries meet to review a draft and coordinate it after consultation with the president. After the head of presidential secretaries consult with the ruling party leaders, he finalizes it.
Committee meeting held on January 9, he emphasized the activation of the economy and the establishment of industrial peace to cope with economic crisis. In the Party Policy Seminar for 1990, held on January 11, he underlined 'new policy instruments for a new situation' and 'policy instruments congruent with the capitalistic economic order,' explaining the 10 tasks selected in the Council of Policy Affairs. The CPA chairman persuaded the newly appointed Party Representative of the worth of his ideas. The new Party Representative, who was familiar with the business community, was willing to agree to the CPA chairman's ideas.

Then, immediately before the first policy coordination meeting with the government (which was scheduled on January 19, 1990), the ruling party held an extended CPA meeting. This extended meeting, presided over by the Party Representative, was held to discuss ten tasks more specifically for the policy coordination meeting with the government. The ruling party set up a special committee for each task in order to elaborate each task. Five new committees were added to the existing four committees. After reconfirming its commitment to ten tasks through organizational set-up, the ruling party met with the

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32 This means that economic growth policy is needed for new economic recession, and the government reform policies are against capitalistic economic order.

33 He was appointed on January 6.
Challenge to Reform and Distrust against Government Economic Team

On January 19, the policy coordination meeting was held between party policy leaders (including the Party Representative and the CPA chairman) and government leaders (including Prime Minister and Deputy Prime Minister). This meeting was designed to coordinate the policy direction for a new year. The CPA chairman and the DPM clashed again.

The CPA chairman pushed the government to concentrate on the activation of the economy and the solution to five urgent problems. He emphasized a short-term and non discriminatory strategy, such as a combination of the lowering of interest rates, the expansion of the money supply, and the devaluation of Won in foreign exchange, for economic vitality. For the five urgent problems, he asked the government to expend the revenue surplus of the last year and the amount of budget allocated for the current year to the degree that people would be aware of this effort. He stressed that these five tasks were what the president expressed special concerns through the New Year Message. But the DPM refused these requests, stressing the middle- or long-term and selective strategy. He insisted that economic stability and institutional reforms should be achieved first for the potential for economic take-off and the solution of socio-economic conflict; that the
stimulation for economic boosting and export should be made selectively; and that the investment for technology development should be the prime focus. Both sides found no way to compromise.

Even though they acknowledged at this time that economic recession and export shrinkage were due to structural problems inherent in the Korean economy (such as the rampant labor strikes and the lack of investment in productivity improvement and technology development), they had different perspectives on institutional reforms and economic stimulation. This difference was succinctly expressed in their "argument of weed." The DPM asserted that "weeds should be removed prior to fertilization." The CPA chairman responded to the DPM, saying that "when a fine crop was not expected, the fertilization should be made in spite of some weeds."

The two government measures taken in November and December to boost investment in industry and stock market turned out in late January to be unsuccessful. In spite of government efforts, the recovery of export and investment fell short of expectations. The funds which the MOF poured into the stock market floated outside of the market. Stock prices continued to decline. Land and house prices began to rise again, due to the money supply, inflation emerged as a new problem.

Dissatisfied with government insistence on institutional reform and stabilization policy, and with the new economic
situation, the ruling party openly raised an objection against the government reform policies, building up disconfidence in the government economic team.

On January 25, immediately after the merge of three political parties\textsuperscript{34} was announced, the Party Representative asserted openly that government reform policies should not be rushed, arguing that they were problematic in timing and substance. The Secretary-General, the chairman of National Assemblymen Meeting, and the CPA chairman began to support his claim. The CPA chairman added that public policies pushed in the past in the pursuit of popularity would be reexamined and that financial regulation could not be buttressed during a recession. Thereafter, the Party Representative and CPA chairman engulfed this economic reform issue into a debate about "economic growth versus economic stability," as their policy line of economic growth began to gradually gain momentum. Furthermore, they began to complain about the government economic team by asserting that the team's policy actions were ineffective and poorly timed and that its policy failures aggravated the economic situation.

To this orchestrated objection, the DPM and the minister of MOF only repeated that they could not delay enacting and implementing the financial regulation and accept the party

\textsuperscript{34} Democratic Justice Party (the presidential ruling party), Unification Democratic Party, and New Democratic Republican Party.
request of nondiscriminatory short-term measures for boosting the economy.

**Merge of Political Parties and Direction of Economic Management**

After the challenge to the regulation issue on January 25, policy leaders of the ruling party concentrated efforts on implanting their policy line of economic growth, supported by business community, in the newly merged party and the government. They thought that holding on to this sensitive regulatory issue was not strategically advantageous, because their opposition to the financial regulation as a symbol of economic justice aggravated public opinion against the new ruling party about to be born. They tackled a macro-issue which would be detrimental to the regulation issue. The effort to set the economic policy line of a new party in the direction of economic growth was made in two directions. One was designed to persuade the president and the other was to forge consensus on economic growth among leading economic expert members of the two merging parties.

Their policy line was easily accepted for a couple of reasons. First, leading policy expert members\(^{35}\) of the two opposition parties had the same personal perspectives on economic management as that of the CPA chairman of the ruling

\(^{35}\) They were former bureaucrats who managed unbalanced economic growth policy in the 1960s and 1970s.
party. Second, the president was worrying about economic recession and was being told by his informal reference group to do something for economic vitality. Also, the top leader of one opposition party to be merged was a strong supporter of economic growth. In this process, the ruling party succeeded in moving the financial regulation to the bottom of the priority list, instead of guaranteeing political reform for the leader of another of the opposition parties to be merged.

This interparty consensus on economic management was confirmed in the 'Tripartite Meeting' of February 3. On this day, the president met two top leaders of the opposition parties soon to be merged to discuss the policy line of a new, gigantic party. They agreed that the urgent problems to be solved were economic activation, emphasizing the economic take-off and the political democratization. Opposition leaders accepted the ruling party's position for coping with economic crisis, even though they had taken different stances on economic reforms. Concerning institutional reforms, they repeated the president's position expressed in his New Year Message that the newly enacted Laws for land regulation would be implemented as scheduled and the regulation of fictitious names in financial market would be incrementally instituted to avoid negative effects on the national economy. Nevertheless, institutional reforms for economic justice were left at a low priority.

Looking at this tripartite agreement, the DPM made up his
mind to tender his resignation. It was not accepted. From this time on, the DPM and chief presidential economic secretary had less influence on the president. Up to then, the three parties to be merged had no internal consensus on the regulation of fictitious names in financial trade, even though their CPA chairmen shared an implicitly passive attitude toward this regulatory reform. If they discussed this sensitive issue, they could not evade both intraparty and interparty conflicts. Therefore, without consultation or discussion, the CPA chairman of the ruling party appealed directly to the president and mobilized a friend from big business who had influence with the president, to change the president's commitment.

The CPA chairman advocated the party position by <1> asserting that the government policy on the regulation of financial trade was causing export decline, declining stock prices, overseas movement of money, and real estate speculation; <2> claiming that, without withdrawing the government policy on financial regulation, any government effort would fail, as partial economic activation in November and funding for the stock market in December had did; and <3> predicting that if the financial assets of businessmen were real-named, labor disputes for more wages would multiply, threatening regime stability and international economic competitiveness, and that it would be difficult for the ruling party to mobilize political funds for both elections to come
and power management in a new power structure.

On February 9, it was announced that the three parties merged and new Democratic Liberal Party would operate under the collective directorship of three supreme leaders. Two of the three supreme leaders had negative attitude toward the regulation of fictitious names in the financial market. The CPA chairmanship of the new Democratic Liberal Party went to the CPA chairman of a former opposition New Democratic Republican Party. This new CPA chairman had a similar policy orientation to his predecessor. The new subcommittee for management of the economy, which would take leadership over party economic policies, was made up of policy expert members oriented toward economic growth.

The Federation of Big Businesses, which had lobbied against the government reform under the surface, emerged to the front after confirming the favorable composition of new ruling party. On February 22, it organized a mammoth task force to cope with government regulation of financial trade and began to worry about the flow of money out of the stock market, the overseas exodus of money, the decline of deposits, the tax burden to business, the guarantee of secrecy of financial trade, etc.

36 It consisted of 30 members, including 15 executives of business firms, 10 executives of private financial companies, 1 commissioner of a business research institute, and 4 university professors.
Reshuffle and Deferment

After this tripartite meeting on February 3, the president began to consider reshuffling key posts in the government and the new ruling party. He needed a team which could solve conflict over economic reform and economic management and also realize the policy line of a new ruling party. He consulted again with his former economic adviser and reference group. During these consultations for the government reshuffle, the president seemed to decide his position on the management of the economy and the regulation of fictitious names in financial markets.

On March 3, the chief presidential economic secretary, a leading advocate of economic reforms around the president, was ousted to become a candidate for a National Assemblyman reelection in his home town. At the same time, the president's informal economic adviser, a leading opponent of economic reforms around the president, was known to be designated as a new chief presidential economic secretary. This replacement was a sign that the opposition forces succeeded in persuading the president to change the institutional reform of financial trade. On March 17, the DPM was replaced by a former CPA chairman of the ruling party, who was a leading opponent of the government economic reforms in the party and an architect for policy change into economic growth. The MOF minister was replaced by a chief of the Stock Inspection Agency who was a more conservative former MOF bureaucrat. As expected, the
president's informal economic adviser was appointed as a chief presidential economic secretary. The new DPM told reporters that he thought economic growth (promotion of export and investment) should be a top priority, although the government was in a position of pursuing economic stability, economic equity, and growth. He added that he would postpone the regulation of fictitious names in financial trade if it would be an obstacle to economic growth. Thereafter, the new government economic team began to attribute all economic worries in that time to the previous economic team's policy on the financial regulation, hoping to soothe public opinion.

Sensing that the regulation might be aborted by the replacement of a chief presidential economic secretary, the MOF issued bold exceptions several times to relieve worries and opposition. For example, even though real-named assets violate the Law of Fair Trade, the Law of Banks, and the Law of Stock Exchange, they would be exempted from sanction. Immediately after the reshuffle, the MOF bureaucrats prepared five versions of loose regulation and tried to

37 If a chief stockholder holds more than 30% of stocks of business firms, they are regarded as affiliates and mutual investment is prohibited between these affiliates.

38 A person is barred from holding more than 8% of bank stocks.

39 A chief stockholder having more than 10% of stocks can not increase his share beyond the share he held when stocks are listed first on the stock market.
persuade the new MOF minister and leading members of the Federation of Business Industries. Although Federation of Business Industries accepted a weakened version of the regulation, the new MOF minister rejected it firmly and ordered these bureaucrats to prepare explanations for postponing the regulation. These bureaucrats also rejected his order.

In the policy coordination meeting held on March 23, the new government economic team and new policy leaders of the party agreed to put off instituting the regulation of fictitious names in financial trade indefinitely. This agreement was reached in the midst of protests from one faction of the ruling party, one remaining opposition party, and the majority of public opinion. The team's argument was that the government did not need to adhere to a certain policy instrument for economic equity and that they could promote economic equity by imposing heavy tax on financial income of fictitious name.

3. Analysis

This is a case in which the ruling party was successful in changing government policy. To explain why the ruling party

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40 This faction was a former opposition party, the Democratic Unification Party, which had advocated political and economic reforms.
was successful in pushing its policy stance through the conflict, several questions need to be answered.

--- How was the conflict settled?
What was the mechanism of conflict settlement?

--- What did the ruling party and the government strategically do to steer this mechanism?
How did the ruling party steer this mechanism in its favor?

--- What factors facilitated or constrained the strategic action of each side?
Why could the ruling party succeed in this steering?

(1) Conflict Settlement Mechanism

Reading through the above case story, one can identify a few characteristics about conflict settlement.

First, as in the case of land regulation, two different policy positions were not settled in the coordination meetings between the ruling party and the government. From April, 1989 when the ruling party expressed its opposition, to February, 1990, when the president finally made up his mind, both camps did not iron out the difference in their policy positions. When positions were different, they were not willing to compromise; they wanted to win the game. When the ruling party wanted to loosen the innovative approach in April, 1989, the government ignored the party's wish and carried out its original position. Conversely, when the government conceded in February, 1990, to accept modifications to reduce negative consequences, the ruling party rejected the government offer and continued to push the president to give up the risky
regulation.

Second, each camp tried to solve the conflict by appealing to the president directly or indirectly. Even seemingly unrelated actions were targeted at the president indirectly and deliberately. For example, the government effort in the spring of 1989 to win public opinion aimed at tying the president to its side; the ruling party's establishment of subcommittees on January 18, 1990, was designed to demonstrate its firm resolve to the president; and the Party Representative's news conference on January 25 was intended to check the president's will.

Third, each conflict resulted in the president's voluntary or involuntary intervention. Conflict occurred three times. The first conflict occurred in the Spring of 1989, the second one in the period of October, 1989 to mid-January, 1990, and the third one in the period from late January to early February. The first conflict was suppressed by the president's endorsement of the government position; the second conflict was moderated by the president's commitment to the middle point; and the third conflict was terminated by the president's decision to replace his chief economic secretary.

From these macro-procedural characteristics, one can infer that high policy conflict between the ruling party and the government was settled by the president's arbitration. Did the president himself really arbitrate both conflicting policy
positions, rather than relying on others' judgment, or did he simply follow the majority opinion? To make this point clear, let us examine the substance of the conflicts and the president's behavior during arbitration.

Going through the second and third conflicts, the president changed his original position amid controversies. In these conflicts, the ruling party's assertion was that because the negative effects were so serious, financial regulation should be cancelled. The government countered that because financial regulation could help economic equity and sound economic structure for continuous growth, financial regulation should be instituted. The president's first reply to these conflicts was that "financial regulation should be instituted step-by-step, so that it will not be accompanied by negative effects." This decision, reached after a few weeks' deliberation, reflected part of the government argument and part of the ruling party assertion. The president's second response to these conflicts was to withdraw his commitment to financial regulation. In the face of persistent opposition from the ruling party, his informal advisory group, and the business community, the president was deeply troubled. He had to decide whether to break his public promise or to institute even a loosened version of regulation, in anticipation of serious negative effects. He finally decided to break his promise, in order to save the economy, even though this damaged the public's confidence in him and lowered his
popularity.

In the course of changing his commitment between policy positions in conflict, the president sought the advice of members of his informal advisory group. He wanted to know more about the opinions of the third party before making a final decision. Through this consultation, he clarified some ambiguous points in his understanding of financial regulation and its political and economic context.

In sum, on the basis of this limited evidence, conflict settlement of this financial regulation policy can be inferred to be an outcome of the president’s painstaking consideration of both position in conflict.

(2) Strategy

If the policy conflict ended with the president’s final judgment, both camps must have done something to influence the president’s judgment. What strategic actions did both camps take to push their policy position?

Facing adverse public opinion, the ruling party strategically tried to wipe out the government policy of financial regulation before the Spring of 1990 when it would be debated openly. The actions which the ruling party took to do so were: <1> to convey its worries about expected negative effects without its open opposition to the government position from April to mid-October; <2> to debate the economic situation and negative consequences from October to December
of 1989, and to change the direction of economic management in January; <3> to foster distrust of the government economic team and mobilize influential actors to persuade the president in late January and February; and, finally, <4> to fill the government economic team with opponents of the regulation of fictitious names in financial trade in March. The most important actions in influencing the president's judgment were debates, persuasion, and mobilization in <2> and <3>. The government reshuffle was an administrative action for the implementation of the president's decision on the reform policy.

The actions taken by the government to defend its policy position against opposition were: <1> to attempt to persuade the president when the ruling party stepped up its opposition in April and December, 1989, and January, 1990; <2> to debate the economic situation with the ruling party in order to maintain its direction of economic management and institutional reform policy; <3> to appeal to public opinion; and, finally, <4> to loosen the restrictiveness of the content of the policy position in January and March, 1990. The actions which affected the ups and downs of the government position in the president's judgment were persuasion, debate, and mobilization in <1>, <2>, and <3>. The loosening of the policy content was too late to influence the president.

In debate and persuasion, issue manipulation was used to affect the president's judgment. The financial regulation
issue was manipulated in two ways. One way was to regard some other policy issues as a cause or effect of the regulation of fictitious names in financial trade. For example, the drop in stock prices, the low growth rate of manufacturing industries, and the real estate speculation were ascribed to the government's push of the regulation of fictitious names in financial trade.

One characteristic here is that each policy group attributed the regulation issue to phenomena which might help solidify its original policy position. For example, the ruling party, which opposed regulation in this case, argued that government push of regulation <1> let people who had huge deposits and stocks under fictitious names prefer cash, to avoid the tracing of real owner and comprehensive income tax, with the result that stock prices continuously went down throughout 1989 and real estate speculation reoccurred in late 1989; and <2> deprived businessmen of investment motive so that exports and trade gains declined rapidly. Therefore, the government's regulation policy should be postponed to avoid these bad effects. But according to supporters of financial regulation, stock prices dropped because of an increased supply of stocks, exports shrinked due to the weakened competitive power of Korean goods in the world market (which was caused by wage hike and poor investment in technology development), and poor investment was due to land speculation by businessmen in late 1988 and early 1989. Therefore, because
regulation in this case was not a cause of economic ills, it should be instituted as scheduled.

The other form of issue manipulation was to entangle the regulation issue in the debate over the direction of economic management. Economic growth policy came to be seen as a good weapon for opposing financial regulatory reform, if growth policy could substitute for government economic stabilization policy, because the government stabilization policy was strongly coupled with institutional regulatory reforms logically and politically. In order to wash away financial regulation together with the government economic stabilization policy, the ruling party linked the regulation issue to a dichotomized debate over economic management.

In mobilization of support, public majority, organizational coherence, and persons in whom the president has confidence were used to make their issue attributions or coupling more convincing. The causality inherent in these attributions was not certain empirically. For example, the ruling party asserted that the decline of exports and stock prices was due to government push of the regulation of fictitious names in financial trade, but the exports and stock prices went down continuously after the government regulatory policy was officially cancelled on April 4, 1990. Neither the ruling party nor the government had objective evidence for causality underlying their arguments. They also had no consensus about causality. Given the lack of objective or
agreed causality, the ruling party mobilized members of the president's trusted informal advisory group and fostered distrust of the government proponents, while the government worked to align public opinion on its side.

The point here is not whether or not issue manipulation and political mobilization are true and right, but that the ruling party and the government used these tools, and that the president's judgment was affected by them.

If the president's judgment on policy conflict was influenced by issue manipulation and support mobilization, he should have compared and evaluated the issue manipulation and support mobilization of the ruling party and those of the government. From what point of view did the president evaluate this manipulation and mobilization? What were his considerations in this judgment?

As discussed in the land regulation case, the president's main concerns were still his historic mission and the power base on which he relied. His historic goals were democratization, progress to an advanced industrialized country, and reunification of the Korean peninsula. The first two goals directly or indirectly applied to economic regulation policy. In the fragmented four-party power structure of 1989, his strategy for effective leadership was to garner public support. After he amassed strong institutional power through the merging of three parties in
January, 1990, he could escape pressure from the rampant opposition party(s) and public opinion, but in order to lead, he needed the cooperation of his expert staff and other incumbents.

The president's arbitration of policy conflict over financial regulation was constrained by his consistent top economic goals and his changing strategic power base.

If policy conflict was arbitrated in favor of the ruling party's position in terms of the president's performance goals and management of his power base, the ruling party should have been more successful than the government in manipulating this regulation issue in accordance with the president's performance goals, and in mobilizing support for the power management strategy. How did the ruling party do so? How did the president respond to them?

During the first conflict (in the Spring of 1989) the ruling party linked the regulation of fictitious names in financial trade to *baneful expected side effects* (such as an overseas exodus of money, deflection of money from stock market and banks, and real estate speculation). The government, on the other hand, linked financial regulation to 'democracy in the economic area' and 'economic growth'.

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41 According to the government's logic, the regulation of fictitious names in financial trade can contribute to buttress the expansion of welfare expenditure through comprehensive and progressive taxation on the financial income of the rich.
focusing on the former. To enhance the persuasiveness of its policy position to the president, the government galvanized and mobilized public opinion, while the ruling party mobilized the business community.

In this game, the president committed himself to the government position by supporting, on April 12, 1989, the extension of "Comprehensive Income Tax" to financial income through the regulation of fictitious names in financial trade. The president accepted the government's logic, because economic democracy could be promoted through financial regulation and because the government's mobilization of a majority of public opinion through regulatory reforms was perceived to complement his weak institutional power base. The ruling party's fears were not persuasive to him in a time when the economic recession was not yet serious. Its mobilization of the business community was limited as an instrument for pushing its argument; the president needed public opinion support to prevent his leadership from declining due to rampant opposition parties in a fragmented power structure.

In the second conflict (from October, 1989 to mid-January, 1990), the ruling party manipulated this regulatory

42 The government argued that financial regulation consolidates the economic structural foundation for entrance into advanced industrialized country by removing institutional obstacles to economic growth.
issue in two ways. It still linked this issue with negative socio-economic effects, such as declining stock prices and tax resistance. In addition, the ruling party diffused a thesis of a difficult phase of the economy to highlight an economic situation adverse to instituting this financial regulation. To push these attribution and interpretation, the ruling party tried to soothe hostile public opinion by releasing the theory of middle class damage. The ruling party also mobilized the business community to make the president aware of the economic difficulties and the party also cooperated with the president's informal economic consultant to make the president understand the negative effects of financial regulation.

The government economic team responded to the ruling party's arguments, by linking financial regulation with

43 As the comprehensive land tax incurred complaints and resistance, the party attributed these baneful consequences to the fact that the Law of Comprehensive Land Tax was legislated in a hurry by the government mobilization of public opinion under the slogan of social equity. The party asserted that more serious negative consequences would ensue if financial regulation was pushed in the same way.

44 The logic was that the economy could not be buttressed if the financial regulation were executed in a 'difficult phase of economy' which was characterized by the decline of economic growth rate and export.

45 The logic was that the middle class would be hurt by the financial regulation, because the regulation would cause land speculation and unemployment through the floating out of stock market money and economic shrinkage.
economic growth and economic equity, with an emphasis on economic growth. But although the government economic team thought that economic growth and exports were not depressed enough to require a full-scale boost, the government economic team did not rebut the party's argument of a difficult phase of the economy, because it thought that labor disputes might be soothed by admitting that the economy was in a difficult phase. Also, by reminding the press -- and, indirectly, the president -- of deposit decreases, privacy encroachment, the inconvenience of bank check reduction, the overseas escape of money, money deflection from the stock market, and real estate speculation as possible consequences to overcome, the MOF resulted in a link between the regulatory issue and negative effects, rather than positive contributions to the president's goals. In order to persuade the president, the government economic team still attempted to maintain a public majority. But the coherence of the government team began to crack as the MOF minister disagreed with the DPM and the chief presidential economic secretary on the strictness of regulation.

How did the president respond to this issue manipulation and support mobilization? The president accepted the party's

46 The economic team thought that, as of November, 6.9% growth rate and 4.5 billion dollar trade profits were approaching the 1989 goals (of 7% economic growth rate and 6.7 billion dollar trade profits), which the government set in 1988.
interpretation of the economic situation by noting seriously "the rapid decline of economic growth and trade profit (which were the core content of the party's theory of a difficult phase of economy)" in a New Year's ceremony held on January 3, 1990. He also understood, through the party's timely attribution of money deflection from stock markets and tax resistance, that the economic and political aftermath of this risky regulation might be more serious than expected. Consequently, he began to think seriously about the party's argument that the implementation of financial regulation during economic recession might disrupt the economic order to such a point that economic growth would not continue -- thus jeopardizing the country's progress toward advanced industrialization. Due to the effective arguments of the party in this newly evolving situation, the president began to lean toward the party. Nevertheless, he could not ignore the government's logic that financial reform could contribute to economic growth and economic democracy. In the same New Year's ceremony, he emphasized balanced economic development, together with economic justice and prosperity -- not simply economic growth. Both economic growth and economic democracy, which the government advocated, were still attractive goals.

On the other hand, since his effort to merge three parties was successfully underway, the president's power base was shifting from public opinion to institutional arrangement. The president did not have to follow the majority public
opinion simply for his power base, because he could withstand pressure from public opinion and the opposition party. This means that the opinions of his staffs could have more weight in his judgment. However, policy experts around him were polarized on this financial regulation issue. The CPA chairman and his informal economic consultant were pitted against the DPM and the chief presidential economic secretary. Both sides were unwilling to compromise. The MOF minister was in the middle. A majority of the other staff watched this game. The inner circle forces were in balance.

From the president's point of view, the arguments of both camps could not be ignored logically or politically. Therefore, he could not endorse the government position unilaterally. This resulted in the partial success of the ruling party and the partial defeat of the government in issue manipulation and mobilization. The president judged that economic structure for equity and long-term growth should be constructed through financial regulation within the limit of causing no serious negative economic consequences. The step-by-step approach to financial regulation, expressed in his New Year Message, was an outcome of his judgment on these incompatible but plausible arguments and advocation.

In the final conflict (from late January to February), the ruling party manipulated the financial regulation issue in daring and decisive ways. First, the ruling party coupled the regulation issue with the general direction of economic
management to wipe out financial regulation by changing the general direction of economic management. To do this, the party spotlighted a dichotomized prescription for the current economic situation, "economic growth or economic stabilization," spreading its economic growth policy and coupling it with the regulatory reform. Second, the ruling party attributed more economic and political worries to the government's policy on financial regulation. The attributed economic worries were "export shrinkage," "declining stock prices," "overseas movement of money," "real estate speculation," and "declining international economic competitiveness." Socio-political worries were "labor disputes," "regime stability," and "political funds." In sum, the ruling party argued that financial regulation would not help achieve the president's goals, but only add to his

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47 This policy line was taken by the ruling party as a basic direction of economic management, to cope with its interpretation of the economic situation. It was gaining momentum in a declining economic situation.

48 According to the party's interpretation, all these current economic ills stemmed from the reluctance of businessmen to invest; the primary cause of this reluctance was fear about the regulation of fictitious names in financial trade.

49 The party logic was that the regulation of fictitious names in financial market would aggravate labor disputes, which would threaten regime stability because the working class would fight for higher wage if the amount of money which businessmen had was revealed by this regulatory reform. Also, if the flow of money could be traced, it would be difficult to mobilize political funds for future elections and for power management in a new power structure.
problems.

To finish the game, the ruling party first fostered **distrust of the government economic team** in order to undercut its persuasiveness to the president. For this purpose, the ruling party stressed that the decline of economic growth and exports, about which the president was concerned, was aggravated partly by the government's misdiagnosis of the economic situation and a few successive policy failures. Then, the ruling party mobilized **persons trusted by the president** to reverse the government's policies.

The government made no effective counter-argument to the ruling party's intensive and systematic opposition. It did not rebut the party's attribution of economic ills to financial regulation. The rebuttals of proponents in the academic community\(^{50}\) were not delivered to the president by the government incumbent leaders. The government did not separate the financial regulation from economic stabilization

\(^{50}\) According to academic proponents, <1> stock prices went down because of the increased supply in 1989, the disappearance of speculation in stock, and deflection of money from the stock market into land speculation; <2> money deflection from stock market and banks was due to land speculation; <3> the overseas exodus of money was an investment in overseas real estate which was permitted in early 1989; and <4> real estate speculation occurred not only because its rate of return was still high in comparison with investment in stocks, but also because the system of land speculation prevention was loosened by the ruling party's opposition.
The government simply repeated its attribution of regulatory reform to the potential of economic growth and economic equity. Moreover, the government's incumbent leaders did not refute convincingly the opponents' rebuttal -- that triple the amount of money that had deflected so far would flow out, causing devastating real estate speculation and overconsumption, as soon as this regulation was instituted -- against the government assertion that all the economic costs of regulation had been paid and that no more money would flow out of stock market and banks.

To defend the government's economic stabilization policy and financial regulation policy, the EPB minister appealed to public opinion, argued for a division of labor between the party and the government, and used his resignation as a weapon.

In this final conflict, the president finally sided with the ruling party by replacing his chief economic adviser. The new chief presidential economic adviser differed from his predecessor. He, as the president's informal economic consultant, was a leading opponent of financial regulation around the president and was basically oriented toward economic growth policy.

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31 The failure to separate the two meant that the fate of the financial regulation could not but go with the fate of economic stabilization policy, which was doomed to fade out as top leaders of the three parties on economic growth as the basic policy line of economic management.
Through this issue manipulation, the ruling party implanted its logic in the president's cognitive map by showing how economic growth policy and the effects of financial regulation could affect his goals in a new economic and political situation. The party's logic was perceived to contribute to his goals without any politico-economic drawbacks. The government, on the other hand, failed to show the merits of its case; it could not effectively rebut the party's attributions. Rather, the government had to acknowledge that its instrument would be accompanied by many harmful side effects which the ruling party asserted; 52 this could lead to the devastation of manufacturing industries which would frustrate the country's progress toward advanced industrialization. The course of action which the government advocated was perceived to be riskier. The president could not but reconsider the logic of the government.

At this time, the inner circle balance began to tip toward the ruling party. The presidential staff in the Blue House, who had thus far waited and watched the game between the ruling party and the government, began to support the ruling party arguments. The president's trustees endorsed the party's position. No influential person around the president

52 These include the decline of stock price, money deflection from stock markets and banks, overseas exodus of money, and real estate speculation.
advocated the government policy stance.\textsuperscript{53} Because of this lack of support, the president could not be sure whether or not financial regulation would bring about the effects which the government anticipated.

The president's belief in the government logic and his confidence in the government economic team had withered as the government failed to cope with the ruling party's new arguments and strategy of distrust in a new economic and political situation. Therefore, he could not be sure of his original belief in the financial regulation as an instrument of economic growth and equity. The president was, however, attracted to the logic of the ruling party and his informal economic consultant, and was confident in them. As a consequence, the party's attributed causality gained ground in the president's thinking, pushing out the government's logic. Thus, he finally decided to pursue his goal of advanced industrialization according to the party's logic.

(3) Opportunities and Constraints

<1> In these policy conflicts, as the president approached his final decision, the ruling party was more successful than the government in manipulating the financial

\textsuperscript{53} Only a majority of public opinion, middle and low level bureaucrats, and academic scholars were on the government's side.
regulation issue. In the first conflict, in April of 1989, the party's issue attribution did not draw the president's attention; rather, he was persuaded by the government's arguments. But when the party emerged again in late 1989 to early 1990, with a few new attributions and a coupling, the party could rebut the government's arguments and also show how financial regulation hurt his goals in a new economic situation. The government, meanwhile, did not develop new attributions or couplings: nor did it rebut those of the party, even though its original attributions were becoming less persuasive to the president in the face of the party's opposing arguments. Why could the ruling party manipulate this regulation issue more successfully than the government? Why did the government stick to its original attributions in a changing situation?

The first factor to consider is the constitution and activities of the information network.

The party's opposing leaders and the government's proposing leaders were all economic experts. On the party side, the Party Representative was a politician from the business community, the CPA chairman was a politician with experience in the university and in business, and the OPC vice-director was a politician from an economic research institute. On the government side, the DPM was a university professor of economics just before he entered the government, and the MOF minister and chief presidential economic adviser
had typical bureaucratic background in the economic area. The difference between the party opponents and the government proponents did not lie in the economic expertise of their leaders, but in the different information networks which both sides operated.

The ruling party itself did not operate an internal research team. Nevertheless, the ruling party was assisted by big business task forces and research institutes in the second and third conflicts. These business research institutes has accumulated information and knowledge about the financial policies of the government and financial market. Task forces consisted of university professors, senior researchers of business research institutes, and executives of private business firms and financial institutions. They operated from the Summer of 1989 to March of 1990. These task forces and research institutes not only had sufficient information and knowledge about financial markets, but also were qualified to develop elaborate arguments.

They developed and supplied rationales and information for the opposition of regulation, or at least its large-scale modification, in late 1989 and early 1990. They estimated that the expected deflection of money would be "5 trillion Won from deposits and 15 trillion Won from stock market," and developed logics about "real estate speculation," "damage to the low and middle class," and "the collapse of stock market, the collapse of industries."
In contrast, the government Preparation Team consisted of MOF officials and delegates of financial institutions. The composition of the Preparation Team was not wide enough to provide diverse perspectives and strategies, even though this team was in informal contact with diverse social groups, research institutes, and other departments. This Preparation Team focused on developing exceptions to reduce negative effects on the economy and to soothe opposition in the process of implementation. It neither developed any logic to countervail the opposing arguments, nor did it convey others' arguments to the president.

Why was this research team organized in this way? Why didn't it develop counterarguments to the opposition? The constitution and activity of this Preparation Team reflected the government leaders', especially the MOF minister's, perspective. The government leaders interpreted this financial regulation as a matter of implementation, not new legislation, even though they would have to revise the existing Law and related statutes. The MOF minister believed that financial regulation should not be pushed in a controversial and radical way. This research team was dominated by the MOF, and thus its activities reflected primarily the MOF perspective and strategy.

Due to the constitution and the direction of activity, the government Preparation Team was not flexible enough to supply rationales to cope with the opposition to the financial
regulation itself. When this Preparation Team tried to offer loose versions of the regulation to soothe the opposition, it was too late and their strategy missed the point. Since the opposition forces were not concerned about the strictness of the regulation, but about the regulation itself, the government should have developed timely arguments to counter the opposing arguments.

In sum, because the ruling party could use its effective issue network, it was able to show more elaborately how the regulation issue was related to the president's goals in the changing situation. The party-business information network was sufficiently diverse and well-qualified to supply all the important information and rationales for their policy position, whereas the constitution and the activity of the government network was insufficient for providing counter-rationales in the face of the opposing arguments.

The strategic issue manipulation was also influenced by the perspective gap between the ruling party and the government. The ruling party leaders saw the relationship between financial regulation and economic growth in a short-term perspective, while the government had a long-term view. The ruling party was more sensitive to the immediate effects of economic recession and financial regulation than the government. The party linked economic recession directly and swiftly to full-scale economic growth policy and withdrawal of financial regulation, while the government linked it to
structural rearrangement for long-term economic growth. Therefore, the government's issue manipulation was constant over time because of its long-term perspective; by contrast, the ruling party's manipulation was adaptable to a changing situation because of its short-term perspective.

The socio-economic situation is another factor to consider in relation to the party's success. Beginning early in 1989, macro-economic indicators began to decline. In particular, economic growth and trade profits dropped rapidly. The ruling party conveyed its concerns to the government. The government said that economic growth and trade profits would return to normal levels in the second half of the year if labor disputes were settled, diagnosing that the Korean economy was nearing the stable growth level (8 %) after overheated growth (12 %) over the previous three years, and that 5.6 % of economic growth in the first quarter was a temporary phenomenon caused by labor strikes. But exports did not increase, growth and investment in manufacturing industries decreased, trade profits plummeted, and stock prices sank continuously in the third and fourth quarters of the year, as shown in <Table 3>.

The macro-economic situation provided the ruling party with an opportunity to couple the regulation issue with the economic management issue. In the face of the decline of
<Table 3> Major Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>GNP Growth</th>
<th>Export</th>
<th>Balance</th>
<th>Stock</th>
<th>Real Estate (land/House/Rent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>12.2(13.0)</td>
<td>6.07</td>
<td>14.16</td>
<td>20.8</td>
<td>27.5/12.6/13.2</td>
</tr>
<tr>
<td>1989</td>
<td>6.7 (3.7)</td>
<td>6.24</td>
<td>5.10</td>
<td>24.2</td>
<td>32.0/14.6/17.7</td>
</tr>
<tr>
<td>Qtr</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>5.6 (1.0)</td>
<td>1.44</td>
<td>1.27</td>
<td>26.1</td>
<td>14.9/ 7.2/ 7.8</td>
</tr>
<tr>
<td>2</td>
<td>7.3 (5.2)</td>
<td>1.56</td>
<td>1.06</td>
<td>24.6</td>
<td>5.7/ 5.1/ 4.7</td>
</tr>
<tr>
<td>3</td>
<td>6.9 (4.3)</td>
<td>1.60</td>
<td>0.96</td>
<td>24.0</td>
<td>4.4/ 0.0/ 2.4</td>
</tr>
<tr>
<td>4</td>
<td>7.0 (4.3)</td>
<td>1.58</td>
<td>0.86</td>
<td>22.4</td>
<td>3.0/ 1.7/ 1.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.9/ 8.3/17.5</td>
</tr>
</tbody>
</table>


Note 1: Growth in %, Export and balance in billion $, Stock in thousand Won, and Real Estate in % of price increase.

2: Manufacturing industries in parenthesis.

economic growth, export, and trade profits, the ruling party first pushed economic growth policy. As soon as this economic growth policy began to gain momentum, the party entangled financial regulation in a debate over a choice between economic growth and economic stability for the direction of economic management. Being embroiled in this quarrel, the government's arguments for financial regulation became less persuasive. Financial regulation was no longer seen as a contributor to economic growth; rather, it was an obstacle to growth.

On the other hand, observing the drop of stock prices and the increase of real estate prices that began to emerge, the ruling party attributed these inauspicious phenomena to the
government policy on the financial regulation. These attributions were instrumental as an opposing arguments to financial regulation.

In sum, it was because the ruling party could use a changing economic situation that it could couple and attribute the financial regulation issue to other important policy issues, and do so persuasively and adroitly.

<2> In these conflicts, when the president began to turn to the opinions of his inner circle (away from public opinion) for his policy reference, the ruling party succeeded not only in aligning an inner circle majority and internal coherence behind its position, but also in mobilizing support for its position among persons who were trusted by and influential with the president.

In the first conflict, when the president attended to public opinion for his policy reference, the ruling party did not garner any public support; rather, it mobilized big

54 This point can be interpreted differently. That is, the economic situation reinforced the trustworthiness of the existing attributions. When the ruling party asserted, in the first conflict with the government, that the financial regulation would be accompanied with recession in stock market stagnation, real estate speculation, and overseas exodus of money, the party's attributions were not convincing because the stock market was active and land speculation was coming under control during the comparable period of the conflict. But with the drop of stock price and the increase of real estate prices that began to emerge, these attributions looked trustworthy. The changing economic situation validated these attributions.
business supporters behind its position. At that time, the ruling party's claims were not convincing to the president. Meanwhile, the government effectively aligned public opinion and internal coherence behind its position. In the second and third conflicts, however, when the president turned to his inner circle, the ruling party succeeded in achieving internal coherence, getting endorsement from the president's informal advisory group, and obtaining the support of other presidential staff in the Blue House. The party's arguments seemed trustworthy to the president. During these later conflicts, government proponents still appealed to public opinion and enjoyed a huge majority of public support, but their claims lost persuasiveness with and around the president.

Why could the ruling party align a majority around the president, mobilize internal coherence, and win the cooperation of persons who were trusted by and influential with the president? Why did the government lose persuasiveness with the president in the third conflict?

The first factor to consider in relation to the party's success in mobilization is the perspective and power of inner circle policy leaders on financial regulation. Key policy leaders in this regulatory issue were the DPM, the MOF minister, and the chief presidential economic secretary (on the government side), the Party Representative, the CPA chairman, the Secretary General, and the OPC vice-director
(on the party side), and an informal economic consultant on the president’s reference group.

The DPM had advocated economic reforms in the university and the government. His conviction was that the Korean economy could not take off without correcting the economic inequity and inflation structure that followed the rapid economic growth enforced by the government in the 1960s and 1970s. The chief presidential economic adviser also was an active advocate of economic reforms. He conceptualized the economic growth in the 1960s and 1970s, for the escape from poverty, as the first economic revolution; the economic stabilization in the early 1980s, for control of rampant inflation, as the second economic revolution; and the economic reforms for correcting economic equity as the third economic revolution. Both leaders believed that financial regulation should be instituted somewhat innovatively, despite the minor negative consequences that would follow. The MOF minister also agreed with the principle of economic reform for economic equity, but had a different opinion from those of the EPB minister and chief presidential economic adviser about the strictness of regulation and the strategy for instituting it. He thought that the financial regulation should not be instituted innovatively but incrementally — that is, instituting it in a loose format at first in order to reduce negative consequences and opposition, and then gradually tightening it. Even though the head of the Preparation Team for financial
regulation (MOF director-general) was connected to the chief presidential economic adviser, the MOF minister was not bypassed by this connection because the minister was in control of his department. Therefore, in the first conflict where the necessity of regulation was debated, three government leaders easily won consensus on financial regulation. But in the second and third conflicts where the content of the regulation and the strategy of instituting it were at stake, they could not form a unified government position.

The CPA chairman believed that the Korean economy was not yet ready for equitable distribution of economic wealth, and that the government still should continue to accumulate wealth for distribution in the future. He opposed institutional reforms for economic equity. The first Party Representative was not an economic expert, but tended to support the CPA chairman. He resigned for a political reason in late December of 1989, and a new Party Representative was appointed on January 5, 1990. The new Party Representative was aware of and sympathized with the business community. He held the same view as the CPA chairman. Despite his lack of economic expertise, the first Secretary General spoke in favor of institutional

55 In the second conflict, there was a somewhat different opinion concerning the strategy of pushing the regulation between the MOF minister and the members of the Preparation Team. But the opinion of the Preparation Team was overruled by the minister.
reforms. He felt that economic reforms should be pursued in order to soothe social conflict and therefore to secure regime stability. But he was replaced by another person on August 30, 1989. The new Secretary General, also not an economist, followed the CPA chairman's opinion. The OPC vice-director was the top economic expert in the party. He seemed to believe that financial regulation should be instituted gradually, not innovatively. Nevertheless, because of his status in the party power dynamics, he could not push his perspective against the CPA chairman's view. As a result of this perspective and power dynamics, in the first conflict, the ruling party leaders had no consensus on financial regulation. In the second conflict after the Secretary General was replaced, the ruling party could offer a unified voice. In the late second and third conflicts, after the new Party Representative was appointed, the ruling party, was strongly unified around the CPA chairman's view on financial regulation.

The president's informal economic consultant believed not only that the regulation of fictitious names in financial trade could bring about stock market collapse, overseas exodus of money, and real estate speculation, but also that the practices in the underground economy, including the use of fictitious name, could not be corrected through legislation. Because of his personal policy conviction, the ruling party easily cooperated with him to persuade the president. He was influential with the president's judgment when there was
conflict between the ruling party and the government economic team, not only because he was an economic policy expert trusted by the president, and in a third party position, but also because the president consulted with him frequently.

In sum, because of its perspective on financial regulation, the ruling party had an advantage in forming a coherence behind its position and in mobilizing an influential cooperator in the president's informal advisory group; the government did not enjoy these advantages.

The second factor to consider is issue manipulation. The majority formation around the president can be traced in part to issue manipulation. Because a balance was formed among policy expert leaders in the second conflict, achieving an inner circle majority required the support of the non-experts in the president's informal advisory group and staff. These persons, as a third party, were committed at first to neither side. If committed, they would be able to affect the president's judgment directly or indirectly because they could talk to the president freely or in the course of their official duties.

As non experts, they had to rely on issue attributions of the party and the government experts for their understanding of the positive and negative consequences of financial regulation. As with the president, the ruling party's effective and proficient issue manipulation provided these non-economic experts more convincing argument for their
judgment in the second conflict. The party's attribution of financial regulation to stock market recession, real estate speculation, and political funds was known to be especially persuasive to the non-economic experts in a new economic and political situation.

A third factor to take into account is the government's policy failure. As was the case in issue manipulation, the ruling party's relative success in inner circle politics was in part due to the relative failure of the government in financial regulation. In the third conflict, the president was not willing to listen to the government's economic team. The government's economic team was losing the president's confidence. The president was known to have complaints about the government management of the economy. Why?

As economic growth, exports, and trade profits stagnated since early in 1989, the ruling party and the business community wanted the government to take action to activate the economy. The government said that economic growth and trade profits would return to normal level in the second half of the year if labor disputes were settled. However, with no sign that the economic vitality would return, the president expressed his concern over the economic decline. Providing a few selective incentives for investment and export in June, 1989, the government's economic team asked the president to wait until the end of the year to see how the economy improved. Together with selective boosting, the government
strengthened trade negotiation with the U.S. and hastened institutional reforms for economic equity, in accordance with its judgment that difficulties in exports, economic growth, and balance of payment stemmed from socio-political factors as well as economic factors. Despite the government's effort, investments and exports did not increased. The economy and stock market continued to decline. The business community again asked for more active government measures, questioning the judgment of the government's economic team regarding the business reality. In November, the government again took selective measures to boost investments and exports, within the limit of causing no inflation. The MOF separately took action to boost the declining stock market.

All these measures turned out to be ineffective by late January, 1990. Thereafter, the president's confidence in the government economic team began to dwindle. Even though the economic difficulties were caused by a combination of political and economic factors, which the government economic

56 Conspicuous factors at this time were labor strikes for higher wages and the Bush administration's pressure to open Korean markets. Labor strikes hurt international economic competitiveness through increased production costs, decreased production of export goods, and delay of exports. The pressure from the U.S.A. deteriorated the balance of payments through the opening of domestic markets and the increase of imports.

57 For example, the lack of technology development, the changing environment of international economy, etc.
team had no control over, the government's actions were not sound responses to economic decline: The government's selective measures were unnecessary if the economic recession could not be halted by the government effort, or insufficient if it could. The president's lack of confidence in the government's economic team was strengthened by opponents of the government's policies in the business community and the ruling party. This lack of faith in the government economic team affected all policies that the team had promoted. That is, the lack of confidence in the economic management field spilled over to the institutional reform field. In sum, as the government economic team lost the president's confidence in the area of economic management, it likewise lost his trust in the area of financial regulation.

4. Summary

From the analysis of land regulation policy case, the following assertions can be made.

First, policy conflict between the ruling party and the government was settled by the president's arbitration. Both camps failed to iron out their differences.

Second, before the president's final judgment, both camps attempted to influence his judgment through issue linkage and mobilization of outside forces and internal coherence.

Third, to the degree that issue linkages and political mobilization are made in accordance with the president's
performance goals and power management strategy, each camp can influence the president's judgment.

Fourth, issue linkage is affected by information networks, leader's perspectives, and economic situation. Mobilization of support is influenced by information, perspective and power of incumbent leaders, policy performance of these leaders, and issue linkage.

Fifth, therefore, the reason for the ruling party's failure to change the government's position was that the party did not make effective issue linkage and mobilization of support in accordance with the president's performance goals and power build-up, because it had a poor information network, an adverse economic situation, different perspectives, and ineffective issue manipulation.
CHAPTER VI

A Proposed Framework for Explanation of Policy Conflict Settlement

1. Comparison and Discussion

(1) Settlement Mechanism

President's Arbitration Judgment

In two regulatory cases, the policy conflict between the ruling party and the government ended up with the president's intervention. First of all, both sides did not reduce the position gap between themselves, and policy coordination was advanced only after the president's commitment was made explicit. Most of the negotiation in formal policy coordination meetings ended in stalemate. These meetings were a place to formally identify the position gap between the two. Second, the party and the government concentrated their efforts to pull the president to their side. The president committed himself initially to the government position in both cases. In case 2, the ruling party shook the president's original commitment and pulled him to its side, while the party failed to do so in case 1. As a result, the party position could be carried through in case 2 and could not be
The president's intervention was a kind of arbitration. The arbiter is a third party who can make a final decision on the dispute. The president was a 'non-expert arbiter' in policy conflict between the ruling party and the government.1 First, the president was a main target of persuasion for both sides. Second, he had his own criteria for evaluating both positions, independently of both sides: his historic missions and his power base. Third, his final decision was binding. In the face of competing positions, the president rethought his original position and finally endorsed most of the government position in case 1, while he sided with the party position in case 2. After this final adjudication, no one continued the opposition explicitly. Even though the president was not an expert in controversial policy problems in which he should participate, he was in the status of a powerful 'layman intellectual' who judged expert opinions and made a final and binding decision.

The arbitration was not a simple passive reflection of majority opinion or his trustee's recommendation. It was the

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outcome of his thoughtful judgment. For example, after consideration of the arguments of both camps, he integrated one attractive argument of the ruling party into the government position in case 1, and changed his commitment through a middle point between both positions finally to the party position in case 2. To decide his final commitment between positions in conflict, he always checked with a third party for more information and opinions. He payed attention primarily to public opinion in case 1, and to his informal trustees in case 2.

Conflict settlement between the ruling party and the government can be understood as "the president's arbitration judgment on two competing positions."

Other Mechanisms?

Can any other mechanism be seen in these cases? One can consider the concept of "coalition," which is defined as "a combination of political forces, temporary in nature and for some specific objectives." The outcome of policy conflict is determined by a winning coalition. If the winning coalition is a majority coalition, this mechanism can explain the conflict resolution in case 1. The government aligned an overwhelming public majority for its position and won the game, whereas the ruling party failed to mobilize a majority and lost the game.

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But a majority winning coalition cannot explain the conflict resolution in case 2. The ruling party won the game even though it was in a minority in a national setting. The majority it achieved was a inner circle majority. A national majority stayed with the government position.

If the winning coalition is a presidential coalition, where the outcome is determined by a coalition which includes the president regardless of its size, it can seemingly explain both cases. In case 1, the government's winning majority included the president. In case 2, the ruling party's winning minority embraced him. But the concept "coalition" connotes "intentionality" and "shared benefit." In neither case 1 nor case 2, was the winning coalition formed with this intentional effort and shared interest.

In case 1, the winning majority was composed of the EPB, the MOC, the president's economic secretarial office, diverse public and private interest groups, and the public. No evidence was found that all these members contacted each other to construct this network. The government members communicated with each other frequently, but they did not contact social groups to pull them in. They diffused their arguments for support and 'aligned' supporters toward the president. Also,

3 For example, bargaining to draw in other actors.

4 For example, electoral votes, legislative votes, and ministerial seats.
they had different interests. The interest of the government leaders and public interest group was the enhancement of their values and philosophy, whereas private interest groups had interests in economic benefits. In case 2, the winning coalition included the ruling party, business interest groups, the president's informal advisory group, and the presidential non-economic staffs. This was a national minority, but an inner circle majority. The ruling party communicated with big business groups and some members of the president's informal advisory group and staffs. The ruling party and business groups shared economic interests, but others did not join the coalition for the same interests. This means that the ruling party or the government tried to partly coalesce with, and to partly align with, other political forces.

In any event, "coalition" is not sufficient to conceptualize the mechanism of conflict settlement. A complex concept -- "the president's arbitration judgment" -- seems more relevant to describe and analyze the conflict resolution mechanism. In these two regulatory cases, it was not a majority or minority, but the president's will and belief that mattered in the solution of controversial issues. This is the reason that coalition is not used here.

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5 Political funds for the ruling party and money saving for business groups.
(2) Strategy

Strategy is an intellectual and political work which combines knowledge, information, power, and resources with external constraints and opportunities in order to influence the president's judgment. In these two cases, the ruling party and the government took many strategic actions. These actions can be categorized into issue manipulation and political mobilization. Issues were manipulated to enhance the perception of the merits of a policy position or policy instrument. Political support was mobilized to induce the president's commitment to a policy position or causal path.

Issue Manipulation

How did the government and the ruling party manipulate the regulation issue in both cases? One way was to toss up diverse theories and arguments about important facets of the regulation issue at stake. Examples in case 1 were a theory of revolution, a theory of middle class damage, a theory of unconstitutionality and other rationales. These arguments or theories were designed to persuade the president and other interested people by showing how their policy positions could contribute to the goals or interests of the targeted people.

The essence of these theories, arguments, and linkages was to establish causal paths between policy issues. This causality was claimed, not verified, at the time of issue connection. Thus, the act of establishing causality between
issues can be defined as "issue attribution." Causal paths are deliberately constructed for a provider's interests. Causality is not traced to all relevant phenomena, but to phenomena intentionally selected. For a policy position, the government department attributed the policy problem backward up to policy instruments under their control, while the ruling party attributed it to the instruments which did not hurt its interests. For the advocacy of their positions, the party and the government attributed their positions forward up to strategically selected phenomena as intended or unintended effects. Policy actors linked their policy instrument with the positive side effects they anticipated, whereas they rebutted the opponent's linkage of it with negative side effects.

To get the president's attention when his goals are abstract and not yet concrete, the ruling party or the government bureaucracy needed to construct in the president's mind a clear image of their policy positions and their relation to his historic goals. This job was done through issue attribution.

The other way was to push the focal issue together with or separately from other related issues. The government separated the issue of 'the realization of a standard tax base' from the land regulation issue in order to reduce the

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6 This selective attention to policy instruments and goals is a strategy of improving one's interests, values, and power by controlling events.
president's worry stemming from the ruling party's theory of middle class damage. In case 2, the ruling party linked financial regulation with the economic management issue in order to smoothly wash away the regulation.

In case 1, the negative impact of the land regulation can be amplified when the regulation is joined with the realization of a standard tax base. Therefore, the government dropped this policy of tax base realization to save the land regulation. In case 2, the effects of the economic growth policy can be hurt if it is pushed together with financial regulation. Therefore, to reject financial regulation, the ruling party packed the financial regulation together with the economic growth policy which was being increasingly applauded. This drop-off and packing together was used to defend and advocate one's policy position. This manipulation of issue relation can be called as "issue coupling or incoupling."

In sum, issue attribution and issue coupling/uncoupling can be identified as two strategies of issue manipulation. Both concepts can be integrated into a concept of "issue association." This issue association was an effective device with which to influence the president's judgment, because the president was attracted to arguments connected to his goals or worries.

Political Mobilization
What did policy leaders do to consolidate the trustworthiness of their arguments that were targeted at the president? In case 1, the government mobilized public opinion, and showed internal coherence through organizing a government-wide committee; the ruling party mobilized influential big businessmen, tried to demonstrate internal coherence and to change hostile public opinion. In case 2, the government depended on public opinion and failed to show internal coherence, whereas the ruling party mobilized people trusted by the president, built distrust of the government economic team, and showed internal coherence.

These mobilizations can be categorized into two kinds: majority mobilization and confidence mobilization. The former is the case where the number of supporters matters. The latter is the case where the credibility of supporters to the president matters. Internal coherence, the mobilization of the president's trustees, and distrust building constitute confidence mobilization. Mobilizing public opinion belongs to the majority mobilization category.

From the president's point of view, this mobilization is a clue about the validity or trustworthiness of a policy position or causal path. If its causality was verified objectively, it has sufficient trustworthiness. But if not, its trustworthiness can be assessed by the president according to the amount of support. Therefore, this validity is understood as the power to pull in the president's commitment.
"Power to pull in" can be termed "valence." Each policy position or argument can have a subjective valence.7 Thus, an "act of assigning valence to a policy position or causal path," or "valencing" can be understood as a strategy to transform the mobilized support into the president's commitment.

In sum, majority valencing is defined as a strategy of weighing the trustworthiness of a policy position through majority mobilization, and confidence valencing is defined as a strategy of assessing the trustworthiness though confidence mobilization.

(3) Conditions of success and failure

Under what conditions could these strategies be effective in affecting the president's thinking? Why did some strategies could influence the president's judgment, while others did not? First, when the ruling party linked land regulation to a constitutional right and a capitalistic economic order in case 1, the party did not influence the president's judgment at all. When both sides connected the regulation issue to economic growth and economic equity in both cases, they affected the president's judgment. Economic growth and economic equity were sub-goals of the president's

7 This valence can not be measured numerically. But policy actor can compare the valence of one policy position with that of another.
historic missions: progress toward advanced industrialization and democratization. This means that issue attribution can be effective when it is linked to the president's goals.

Next, in case 1, the government could enhance the trustworthiness of its arguments to the president through majority valencing. In case 2, the same government strategy could not succeed in doing so. The ruling party's confidence strategy did not have significant impact on the president in case 1, whereas it did in case 2. Why was a majority strategy effective in case 1, while a confidence strategy worked in case 2? Under what condition can each valencing strategy be effective?

The president seemed to keep in mind two categories of people as a reference for his judgment. One is the general public. The other is a group of people in his inner circle, such as formal advisers, leaders of key organizations, informal consultants and peers in his personal advisory group, and so on. Persons in the latter category do not have equal confidence to the president. They are differentially trusted according to their personal relationship with the president, expertise, performance, and other factors. It was because of the shift of reference point that the majority strategy was effective in case 1, but not in case 2. The president's primary policy reference was public opinion in case 1, while it shifted to his inner circle in case 2.

This shift of reference point is an outcome of the
president's power management for effective leadership in a changing power structure. When he needed his popularity as his power base in a fragmented four-party system, he referred to public opinion. When he achieved a strong institutional power base through the merging of three parties, he referred to the opinions of his inner circle. Thus, other things being equal, majority strategy could be more effective in a decentralized power structure, while confidence strategy could be more effective in a centralized power structure.

(4) Constraints and Facilitators

Strategic actions to influence the president's judgment were designed and executed in political, institutional, and socio-economic dynamics. What factors affected this strategizing? Why was the ruling party strategically unsuccessful in case 1, while successful in case 2?

Cross-examining two cases, one finds that direct factors working on issue manipulation were information availability and socio-economic situation.

Relevant information and knowledge were vital to issue manipulation. The same information was not available to both the party and the government. This gap constituted one determinant of effective issue manipulation. How can this gap be identified? Primary information sources in case 1 and case 2 were incumbent expert leaders and the research team.
The ruling party and the government established their own study team specially for this information purpose in case 1. But in case 2, unlike the government, the ruling party did not establish its research team. The policy leaders of the ruling party utilized business research teams effectively in case 2. This means that information sources available to policy leaders were not confined to leaders themselves and their organizational staffs. Case 2 showed the importance of outside linkages for information. Here, the concept "information network" can be introduced. In a society, there are a number of information-generating institutions. The policy actors can complement their lack of information by constructing a network with these institutions. The information network consists of policy leaders and internal and external research groups linked operationally and temporally for information mobilization. The information gap between the ruling party and the government can be examined in terms of information network. Compared with the government's network, the ruling party's network was narrower in scope and less qualified in case 1. The ruling party's study team consisted of four members, and business research institutes aligned with the

So far, most policy information has been monopolized by the government bureaucracy in Korea. But recently, this monopolization is weakening as a number of research institutes are established in private and public sectors. Therefore, information monopoly as the government's weapon in policy conflict will lose its importance. Rather, information superiority will depend on this information network.
party were not sufficiently qualified to provide information and expert knowledge about the land problem. On the other hand, the government network (research team) consisted of experts, institutes, and organizations which had information and expert knowledge about the land problem. In case 2, the party's network was almost equal, not inferior, to that of the government in scope and quality. Business research teams and task forces were sufficiently wide and qualified to develop information and arguments about financial regulation. Nevertheless, the ruling party was superior to the government in the issue manipulation game. Why? The reason lies in the difference in the direction of the operation of information networks. The ruling party network was operated to develop not only recommendations for modification, but also rationales and arguments for opposing the government position. But the government network was confined to the development of recommendations for the prevention of negative effects. Despite its qualifications, the government's information network did not provide effective theories and arguments for policy debates with the ruling party because of its direction of operation.

In sum, the composition and operational direction of the information networks facilitated or constrained policy leaders in the game of issue manipulation. Therefore, it determined their relative success in issue manipulation.

The information network was not the unique determinant of
issue manipulation. In both case 1 and case 2, the regulatory issue was manipulated in close relation to socio-economic change. Aspects of the socio-economic situation at stake in case 1 were frequent and violent labor strikes, the growth of entertainment industries, the stagnation of manufacturing industries, and others. Those in case 2 were the diversion of money out of stock markets, export contraction, declining trade gains, the stagnation of manufacturing industries, the increase of land and house price, labor strikes, and others.

These aspects of socio-economic situation were picked up and used as nodes of connection chains between the policy position and the president's goals, through experts' interpretation. In case 1, the government capitalized on these aspects of the socio-economic situation to the full extent to make plausible causal paths between its policy position and the president's goals. But the same socio-economic situation was a constraint to the ruling party, which opposed

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9 They were frequent and violent labor strikes, the growth of entertainment industries, and the stagnation of manufacturing industries.

10 It consisted of the following instruments and goals: instruments were the upper limit of housing lot and the taxation of extra profits from the land development and its holding; goals were the efficient use of narrow territory and the control of land speculation.

11 They were economic growth (for progress toward advanced industrialization) and economic equity.
the government position. In case 2, the ruling party utilized the above socio-economic situation\(^\text{12}\) to attractively connect its policy position\(^\text{13}\) and the president's goal.\(^\text{14}\) But the government's attribution of financial regulation to economic growth policy became less persuasive as exports, trade balance, stock markets, and manufacturing industries deteriorated.

To provide their policy position or causal paths with a valence, the ruling party mobilized internal coherence, big business groups, and persons trusted by the president, while the government mobilized internal coherence and public opinion.

In both cases, internal coherence was facilitated or constrained by the perspective and power of incumbent leaders. In case 1, government coherence was achieved because the DPM and the chief presidential economic secretary had a shared perspective, and the MOF minister with a different perspective lacked the power to push his view. The ruling party, however, could not form a united position because the Secretary-General

\(^\text{12}\) They were the diversion of money out of stock markets, export contraction, declining trade gains, the stagnation of manufacturing industries, the increase of land and house price, and labor strikes.

\(^\text{13}\) It was opposition to the regulation of fictitious names in the trade of financial assets.

\(^\text{14}\) It was economic growth.
had a different view from other party leaders and tried to push his opinion. In case 2, the government could not obtain consensus because the MOF minister had a different view from the DPM and the chief presidential economic secretary. However, the ruling party formed a united front because of the common perspective of its incumbent leaders. In addition, the ruling party's cooperation with the policy expert in the president's informal advisory group was possible because he had the same view as that of the ruling party.

Since policy experts usually have their pre-formed and stable beliefs (causal map) for the issue at stake, their policy positions are not easily amenable to outside manipulation. Policy cohesion of the ruling party or the government depends on the congruence of policy views the expert incumbents already have. The effort to increase confidence is limited by who is available in the inside group, what perspective he has, and how much trust he enjoy from the president.

These findings can be summarized as follows: the confidence strategy (internal coherence and the mobilization of the president's trustees) seemed to be affected by "who (perspective and power) sits where (incumbent leadership, the president's informal advisory group)."

On the other hand, the government's mobilization of public opinion was facilitated by a piece of shocking
information\textsuperscript{15} and effective issue attributions in case 1, and issue attribution in case 2. The ruling party could partially impact public opinion by one effective issue attribution, 'the middle class damage,' in both cases. It also won a majority of non-economic expert staff in the Blue House by issue attribution and coupling in case 2. This means that winning a majority, whether public or inner circle, was affected by issue attribution and information. Non-economic experts were committed to neither side at first because they had insufficient knowledge to judge each position. They were volatile enough to change their opinions according to what information and logic were provided. Depending on issue attribution and information provided by both sides, these non-experts understood the positive and negative effects of each policy position and committed themselves to a position.

As Ripley points out, "agencies...will select both the content and the timing of the release of various reports and staff studies to maximize the amount of support ... for the ends they wish to pursue."\textsuperscript{16} Therefore, not only "which side holds what information" but also "how willing to use it they are" is instrumental to the power balance between the ruling party and the government. Also, since issue attribution is a kind of strategy which can awaken various social groups or

\textsuperscript{15} It was the fact that the top 5\% of land owners held 65\% of private land.

\textsuperscript{16} Ripley and Franklin, \textit{Op. cit.}, p.84.
influential government leaders to their interests by showing how the current issue is linked to them, it can help obtain their support when it is targeted at these neutral groups having no clear and stable beliefs. Furthermore, this attribution can weaken the opposition camp's cohesion by linking the opposition's policy instrument to negative side effects and seceding marginal members.

2. Rival Explanations

Why did the ruling party fail to change the government's land regulation policy in case 1 as it wished? Why could the ruling party succeed, in spite of adverse public opinion, to block the government's financial regulation policy in case 2?

The explanation in this study focuses on the relative effectiveness of strategy, which is constrained by institutional and environmental advantages or disadvantages, in influencing the president's arbitration judgment. The reason for the ruling party's failure in case 1 is that the ruling party did not make effective issue linkage and support mobilization that matched the president's performance goals and power management pattern, under the constraint of a poor information network, different perspectives among its leaders, and an adverse socio-economic situation. In case 2, however,
the ruling party's success was due to matching issue manipulation and support mobilization with the president's concerns under the advantages of sound information network, unified perspectives among its leaders, and favorable economic change.

One rival explanation was strongly suggested by some government officials and observers. According to this rival explanation, the ruling party's success in case 2 and failure in case 1 was due to the change of party system. In case 1, because of a fragmented four-party system where the ruling party was a minority party, the ruling party could not block government policy. In case 2, the ruling party could carry its opposition through against the government because it became a gigantic power through the merging of three parties. This explanation is based on the assumption that political parties are vulnerable to public opinion for survival in a fragmented power structure, and that the power of the ruling party to withstand public opinion is decisive to the fate of the government's policy.

In fact, in the fragmented four-party system, political parties could not go against public opinion in order to survive in the election. Two opposition parties were eager to endorse the government position, which was supported by an overwhelming majority of public opinion, even though they had some opposing voices within their party. Although the ruling party and one conservative opposition party were reluctant to
endorse the government's innovative position, they could not openly oppose the government in the face of pressures from public opinion. They were cautious not to be regarded as "opponents" to reform by public opinion. In this situation, the ruling party could not effectively oppose the government policy under the pressure of the opposition parties and public opinion.

Through the merging of three parties, the ruling party built a huge power conglomerate -- one that was enough to withstand pressures from public opinion and the opposition party. In the process of merging, the former ruling party and one conservative opposition party exerted control over the policy direction of a new party in the economic area, while the other opposition party made more voices over political reforms. Therefore, the new gigantic ruling party was passive toward economic reforms.

This rival explanation cannot account for a few important aspects of these conflicts. First of all, before the merging of three parties, the innovative approach of the government changed into a step-by-step approach. In the course of the merge, the ruling party did not even discuss the fate of financial regulation with the two merging opposition parties. The ruling party tried to block the government's financial regulation without the consultation with or the cooperation of the two merging opposition parties. This means that, regardless of the merging of three parties, the effort to
block financial regulation was ongoing and successful.

Second, even in a fragmented-four party system, the ruling minority party did not completely fail to change the government's position. Even though the ruling party was in a minority position under the adverse public opinion, it changed part of the government's position. This fact indicates that the political power of the ruling party to withstand pressures from public opinion and opposition parties was not a primary determinant of its influence on the government's regulatory reform policies.

Another rival explanation was provided by the observers of both regulatory conflicts. The ruling party's success in blocking financial regulation and failure in stopping land regulation was due to the nature of the issue. That is, compared with land regulation, financial regulation has more difficulties than land regulation in enactment and implementation, because more people would be regulated, the regulation is more detrimental to the rich and to politicians, and more serious negative effects on the economy are anticipated. Furthermore, financial custom and practice is more difficult to control by Law.

However, top policy leaders of both the ruling party and the government did not agree to this explanation. According to them, it is the president's will, not difficulty in enactment and implementation, that mattered.

In sum, the ruling party's success or failure in changing
the government's policy is not sufficiently explained by a single factor. It was an outcome of a series of events.


Through the analysis of two regulatory cases and the examination of rival explanations, a tentative framework for the description and explanation of conflict settlement between the ruling party and the government can be formulated. This framework consists of the following perspective and concepts.

A. Judgment Politics as a perspective

"Judgment politics" means that policy coordination is a kind of judgment process and that this judgment process is politicized.

In the institutional setting of the ruling party-government policy coordination in Korea, the ruling party and the government take their independent positions, and the president rearranges both positions. The policy is a causal map about a set of goals and means. To take a position is to set initial causal paths between policy goals and available instruments. The policy position is a tentative and plausible causal map which each independent policy actor constructs. To coordinate policy positions is to rearrange these different causal maps through weighing and changing incompatible causal
paths into a consistent causal map. The president's coordination is his own position-taking on the controversial issue. The essence of position taking and coordination is a series of judgments for causal paths.

The president constructs his causal map by using causal paths provided by the party and the government. Since policy experts in the ruling party or the government usually have pre-formed and stable beliefs about the issue at stake, their policy positions are formed in the early stage of decision making and are not easily amenable to outside manipulation during the decision making process. But because the president, as a non-expert power man, has no such sound beliefs, his beliefs are formed in the process of policy debate and conflict. Consequently his position is unstable and sometimes reversed in the political dynamic. Nevertheless, his final commitment is decisive to the conflict settlement. Therefore, policy actors in conflict attempt to influence the formation of his causal beliefs. Both the ruling party and the government provide causal paths, in the form of arguments or theories, as building blocks for the president's policy position.

The president usually does not commit himself to all these perceived causal paths to construct his own causal map. Since the president has interrelated multiple policy and political purposes and seeks an efficient way for them, he pays attention to policy position which can achieve more of
them. Furthermore, for the maximization of his purposes, he might pick up the best combination of arguments/causal paths from both sides or favor one side over the other. Some argument of a policy actor may be accepted, whereas the rest of arguments of the same actor may be rejected.

Which causal paths he picks up and how he arranges them for his final causal map is a kind of a restrained politics. In the absence of unambiguous objective analysis, the process that sifts somewhat uncertain and incompatible causal paths into his binding causal map is politicized. The politics is characterized by the mobilization of effective advocates. This coordination politics is restrained in two senses. First, the establishment, advocation, and rearrangement of causal paths is not a result of rampant interests and ruthless power. It proceeds in a court-like setting. Second, the establishment, advocation, and rearrangement of causal paths is constrained by political, organizational, and environmental conditions.

In short, the politics of the president's arbitration judgment is a political process in which each policy actor tries to encarve his causal beliefs in the president's mind under political, organizational, and environmental constraints. The more effectively encarved their causal beliefs are, the more their policy position will be included in the settled output. The causal beliefs surviving in the president arbitration will constitute the final content of
conflict settlement.

Why is this perspective plausible in the Korean setting? The rationale for this perspective is based on a few characteristics of the Korean decision making structure.

First, the ruling party or the government in Korea is not in a position of strategic superiority over each other. This is in part due to the pattern of recruitment. Unless the president allows it, the government executive leaders are not automatically constituted by the ruling party members. In practice, the government leaders are recruited from bureaucratic and academic professionals. (see Table 4). During the period of 1960s to 1980s, 336 persons were appointed ministerial positions; of these, 42.3% were recruited from bureaucracies and the academic community, while 16.7% were politicians. In the case of economic departments, 55.5% of ministers were recruited from bureaucrats and the academic community, while 16.1% from national assemblymen. During the 1980s, 44.0% were appointed from bureaucracies and the academic community, while 23.8% were politicians. Of economic ministers, 52.7% came from bureaucracies and the academic community, while 21.6% were politicians. The ruling party has not controlled the government leadership positions. Similarly, the government leaders with bureaucratic and academic
<Table 4> Backgrounds of Ministers

<table>
<thead>
<tr>
<th></th>
<th>Bureaucrats</th>
<th>Academician</th>
<th>Politician</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960s</td>
<td>88</td>
<td>54</td>
<td>56</td>
<td>138</td>
<td>336</td>
</tr>
<tr>
<td>1980s</td>
<td>(60)</td>
<td>(26)</td>
<td>(25)</td>
<td>(44)</td>
<td>(155)</td>
</tr>
<tr>
<td></td>
<td>46</td>
<td>28</td>
<td>40</td>
<td>54</td>
<td>168</td>
</tr>
<tr>
<td>1980s</td>
<td>(25)</td>
<td>(14)</td>
<td>(16)</td>
<td>(19)</td>
<td>(74)</td>
</tr>
</tbody>
</table>

Note 1) The prime minister and minister of political affairs were not counted.
2) 'Bureaucrats' include civilian career bureaucrats. Military bureaucrats were included in 'others.'
3) Numbers in parenthesis indicate the number of ministers in economic departments (EPB, MOF, MCI, MOAF, MOE, MOC, MOT, MOCOM, MOST)
4) Politicians are national assemblymen of the ruling party.

backgrounds had no leverage in the ruling party. Therefore, major policy actors tend to rely on the president's political authority in the policy making process because the president, as a head of the state and the ruling party, has dominant power within the ruling camp. The ruling party and the government try to influence each other through their common superior, the president, in conflict between both sides.

Second, once elected, the president himself wants to act as a national leader, not just a top party leader or a top government leader. Therefore, he does not automatically impose his party programs on the government bureaucracies. Rather, due to concerns about his performance in office, he tends to rely on the government bureaucracies. Nevertheless, he can not always ignore the policy opinions of the ruling party as his political power buttress.
Third, at the time of drafting policy proposals, the government and the ruling party usually do not hold all the necessary information and objective analysis of the policy problem. They also do not or cannot conduct a complete and scientific causal analysis of the issue at the time of decision, not only because the need to respond timely to the ever-changing situation precludes such a time-consuming analysis, but also because the lack of resources, information and skills does not allow it. Furthermore, in the case of a big issue, even when expert analyses are available, their arguments frequently diverge and conflict on crucial points. In this milieu, causal linkage is inevitably fixed through political judgment based on available information about the issue, beliefs about it, interpretation of it, and interests involved in it.

B. Issue association and Valencing as a strategy

Issue attribution: To the extent that people know the importance of causal maps in judgment politics, they attempt to manage and control causal maps of their own and others. Issue attribution is defined here as the causal connection or disconnection of a given policy issue to certain phenomena that seem to affect or to be affected by it, in order to form a policy position or advocate it.

How to attribute the president's goals to their position
is crucial to the policy success of the ruling party or the government bureaucracy. The more vivid the attribution is, the more likely the position is to be included in the final policy outcome. The more presidential goals a policy actor in conflict attributes to his preferred policy instruments, the more likely the position is to be included.

**Issue coupling/incoupling:** Issue coupling/incoupling is to pack together or separate other issues in order to defend or advocate the focal policy position, when both magnify the impact of each other. If one identifies a policy issue which can amplify worry about minor negative impact of the given position if they are pushed together, one needs to drop the policy issue. On the other hand, if one finds an issue which can amplify the desired impact of a given policy position, one needs to join them together.

**Majority valencing:** The valence of a policy position or causal path is determined by its validity, evidenced by objective data. When there is no such data at the time of decision, the valence is affected by "who argues for it" or "how many people prefer it." Majority valencing is a strategy of enhancing the trustworthiness of a policy position or causal path through the mobilization of a majority of people. This strategy can be used when each mobilized advocate has no differential influence on the president and a majority has meaning to him. Therefore, it can be effective when the president feels a strong need for public support, as he does
in a relatively open and pluralized decision making structure or near election time.

**Confidence valencing:** This is a strategy of enhancing the trustworthiness of a policy position or causal path through the mobilization of confidence behind it. This strategy is to mobilize advocates trusted by the president or to manipulate confidence which the president has toward policy advocates. The president does not always side with a majority force. It can be used when the decision making is relatively closed or when the president turns to inner circle people for reference.

**C. Policy Influence and its Determinants**

**Policy influence:** The policy influence of the ruling party on the government can be assessed in terms of position inclusion. The ruling party can be influential to the degree that the party can carry its policy position through in the coordination of policy conflict. High conflict between the ruling party and the government is settled by the president. Therefore, the policy influence is proportional to the relative influence on the president's judgment. This influence is an outcome of strategic efforts, targeted at the president, which are constrained or facilitated by following factors.

**Socio-economic situation:** The changing aspects of the socio-economic situation served as an opportunity or a
constraint for issue attribution. Also, they consolidated or undermined causal paths already attributed. What aspects to grasp, how to interpret them, and how to use them can determine the relative success of the ruling party or the government leaders in issue association.

President's concerns: Whatever opinion the general public and policy leaders may have, high conflict on policy in authoritarian organizational culture can not be settled without the consideration of the president's concerns. The president has substantive and political interests to pursue in the given policy issue. The most important of them are his performance goals and power management for his effective leadership in office. The president has discretion about what causal paths he adopts and ample room for the manoeuvre of the policy conflict. These goals and power management are criteria by which he judges causal paths and political mobilization in committing himself to a policy position.

Information network: The number and attractiveness of causal paths depends on the amount and quality of information and knowledge about the issue at stake. As information sources are pluralized and specialized, comprehensive information about the issue can be obtained though the networking of diverse sources. Also, this networking helps policy actors complement the lack of their own information. More important is the kind of information generated in this network. If this network does not provide information necessary for the game of
issue association, it can not help a policy actor push a policy position. Thus, how to organize and operate the information network can be a determinant of the success of the ruling party or the government leaders in the game of issue association.

**Power structure:** Although the president is the most powerful man in the decision making process, he is not free of constraints. The change of power structure forces him to change his strategy of power management for leadership. The decentralized structure will make him more sensitive to the general public as a policy reference group. The centralized structure will make him rely on policy leaders of inner circle. Thus, the mobilization strategy depends on the power structure. If a mobilization strategy mismatches the power structure, it will be less effective in pushing a policy position or causal paths.

**Who sits where:** Policy leaders of the ruling party and the government are appointed by the president according to personal ability (expertise, political weight) and relation with the president. Therefore, they are eager to be responsible to the president individually rather than collectively. They try to realize their own ideas in the name of the president. They are reluctant to compromise with others against their conviction.

In this situation, the policy position of each side is formed in accordance with the perspective of its dominant
policy leader(s) in internal power dynamics. Internal coherence behind this position is determined by the dispersion of influential perspectives. Policy conflict is determined in large part by this perspective gap between dominant leaders of both sides. The president's judgment for the solution of this policy conflict is influenced partially by the perspective of policy expert(s) who is trusted by the president and does not belong to both sides. Where are policy leaders with what perspective and power? The effectiveness of confidence strategy depends on this dynamics of perspective and power among these leaders in the ruling party, the government, and the president's informal advisory group.

<Figure 4> An Explanatory Framework for Policy Conflict Settlement between the Ruling party and the Government
CHAPTER VII
CONCLUSION

The mechanisms of policy conflict settlement between the ruling party and the government in Korea may be diverse. All policy conflicts may not be coordinated in the same pattern. One characteristic is that formal channels are established, but high conflict is settled outside of these channels. Given this practice, how can we describe and explain these mechanisms in a systematic and meaningful way? This study focused on the settlement of high conflict by examining two cases. One settlement mechanism and its related determinants were indentified, as shown in the previous chapter.

1. Contributions

This study makes theoretical contributions in several aspects. First, this study improved the existing explanation of the ruling party's influence over the government's policy. Unlike existing theories which rely on structural factors (political regime structure and party structure), the framework suggested in this study can explain the variation of the ruling party's policy influence over the government across policies in the same structural arrangement. This improvement
was brought about through the identification of strategy, socio-economic situation, who sits where, and the president's concerns as important determinants of the ruling party's influence over the government's policy.

Second, the framework can explain conflicting findings (bureaucratic dominance vs. political dominance)\(^1\) in the existing research about the role of the ruling party (or political elites) vis-a-vis the government, by interpreting the role of the president as an arbitor. In the Korean regime structure, where neither the ruling party nor the government has structural superiority and the president has overwhelming power over both, bureaucratic dominance or political dominance in high conflict issues is not possible without the president on one side. The framework can explain both patterns by specifying the conditions under which the ruling party or the government may gain presidential support.

Third, this framework improves the cognitive theory of decision making by illustrating how a powerful actor constructs his causal beliefs in the course of decision making. The importance of "causal maps" to policy output has been emphasized by the cognitive theories of decision making.\(^2\)

\(^1\) See pp.27-28.

\(^2\) Theories of cognitive maps, originally developed as a guide for understanding, defining, explaining, and responding to events, have been used for human decision making. For the development and application to human decision making, see Michael J. Shapiro and G. Matthew Bonham, "Cognitive Process and Foreign Policy Decision Making," *International Studies Quarterly*, Vol.17, No.2 (1973), pp.147-
Despite the fact that this concept is useful in describing and explaining policy making processes, particularly the development and the advocacy of policy instrument, it has not yet been systematically linked to political and organizational factors beyond human cognitive variables. This study is a partial attempt at this linkage. Assuming that the beliefs of decision makers are already given from the start of decision making, these cognitive theories are concerned with drawing out the causal maps or belief structure of decision makers and explaining decisional outcome from this belief structure or its change. They pay less attention to why and how these beliefs are formed. They ignore the possibility that beliefs are formed in the discussion and interaction among decision makers. As shown in this study, some members, usually expert members, participate in the policy making process with relatively unambiguous belief system about the pending policy issue, while others, usually non-expert members, are involved in the process without clear causal maps. The latter’s causal...

beliefs become clear or formed with the aid of information and logical arguments provided in the debate and political maneuvering among expert participants. When this non-expert participant is a power man, the policy outcome depends largely on what causal beliefs he forms in this debate and political maneuvering.

2. Implications

This study has some practical implications for policy makers. First, from the president's point of view, the issue attribution of policy experts can be used to clarify and specify his dim or abstract goals. When policy actors link their concrete policy positions to the president's abstract goals in order to influence his judgment, the president is able to see how his grand goals can be specified and realized in the given problem situation. He can clarify the course of action he should follow in the changing environment.

Furthermore, through the adroit management of judgment politics by policy actors in conflict, the president can induce causal paths that should not be ignored if he is to make a sound decision. The president can better understand the diverse aspects of policy issues by inducing these causal paths. If the president is not effective in this management, he may see one side of the issue as partisan advocates guide him, or he may be confused between rampant polarized advocates. In any event, he is liable to make a flawed
decision. One important aspect to note here is that the more crucial and controversial the issue is, the more the intelligence of the president is needed. Relatively low conflict issues are coordinated between incumbent experts of the ruling party and those of the government. But high conflict issues are frequently referred by incumbent policy expert leaders to the non-expert president's judgment. The president's intellectual burden is doubled.

Therefore, to help the president avoid being confused between rampant partisan advocates and to manage well the politics surrounding his judgment, a neutral consultant may be needed. If the president's secretaries do take an advocating role, instead of a consulting role, and the president turns to his informal group for consultation, he may be exposed to other, sometimes irresponsible, advocates.

Second, this study provides the government with a guide to how it can maintain its policy position in the coordination with the ruling party. The government can no longer overcome the opposition by using the monopolization of information and expertise, and the president's advance approval on its policy position, as it did in the past. The source of policy information becomes pluralized, and the president is no longer

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a consistent protector of the government's policy. In this situation, government leaders need to be more strategic than before. They need to be sensitive to the president's power base, the shift of policy reference group (inner circle or the general public), and the president's informal consulting group, in addition to his goals and the economic situation. Also, they need to develop more sound and trustworthy rationales before they push their policy position, by constructing a wide and qualified information network with other departments and research institutes.

Third, this study of the determinants of the ruling party's influence over the government offers a guide to structural reform of the party.

For the increase of the ruling party's influence, the existing studies in Korea have suggested the increase of policy expert staffs, internal democracy, and the change of the president's attitude toward the ruling party. The analysis of two regulatory cases in this study reveals that when the ruling party opposes the government's policy with reasonable rationales, the president takes into account the party's arguments for a reasonable decision for his performance despite his attitude toward the political party. The perspectives, knowledge, and power of party incumbent leaders are key to policy influence because these leaders can have access to and affect the president; these leaders can be assisted by the information network. Therefore, this study
emphasizes the nurturing of policy expert leaders and their coherence, and the development of information networks for the ruling party's policy influence.

In the ruling party, the CPA chairman and the OPC director of the current incumbent policy leaders are policy experts whose arguments have been influential inside the party and with the president. But their expertise is confined to the macro-economic area. Members of the current Special Committee of Economic Affairs can contribute to the party's policy influence, because of their policy expertise and experience. But they are not incumbent leaders who can have easy access to the president. Also, they are usually experts in the macro-economic area. The Divisions in relevant policy areas have not accumulated expertise because of the rotation of its membership and the lack of policy activities. The expert knowledge that they need is provided by party policy experts. But the current party expert system is not contributing to the enhancement of party influence through expertise in the case of issues in conflict between the party and the government. Because these party policy experts return

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4 For example, the CPA chairman's argument in case 2, and the OPC vice-director's argument in case 1.

5 Its members are former ministers or influential expert politicians.

6 They are elite directors-general of the government who are selected from relevant departments for party service and return to one-rank higher position in their departments after the service is finished.
to their original departments, they cannot be active for the party's policy influence.\textsuperscript{7}

The ruling party aggregates opinions in a rule-of-thumb way through its representative and secretarial organizations.\textsuperscript{8} But it depends on the government for policy information and data. It lacks a systematic mechanism for investigation of new information. Without its independent investigating activities, the party is liable to represent groups having louder voices, and, therefore, its understanding and interpretation of reality can be biased. When it cannot be a balanced-aggregator, it degrades into another interest group.

The existing structural aspect of the party's expertise and information means that the current ruling party does not obtain the independent expertise and information it needs for policy influence; it relies heavily on expertise and information which several members personally acquired outside of party activities; and its expertise is restricted to the macro-economic area. Therefore, these individual experts try to realize their own perspectives or convictions when they take leadership position. In areas other than macro-economic policies, the ruling party is dominated by the government or is liable to intervene unreasonably in the government's

\textsuperscript{7} Of course, this system can increase party influence on the government through politicizing, or politically sensitizing, the upper echelon of the government bureaucracy.

\textsuperscript{8} See the section of the ruling party's position taking.
policies for its parochial interests.

To complement the weakness of expertise and information, the ruling party can increase its policy expert staffs. This alternative requires another huge bureaucracy for sufficient expertise in all policy areas. This is not efficient. Moreover, as this study shows, since the party leaders have to debate controversial issues in policy coordination meetings and, more importantly, in front of the president in order to push the party position, they cannot be influential if they rely only on their staffs and other experts for arguments and rationales. They should become at least quasi-experts who can digest and interpret the complex issue and its political context, and deliver their integrated interpretations to the president. For this purpose, the role and expertise of incumbent leaders, such as the chairmen of Divisions, and their access to the president need to be strengthened. Another efficient way to secure information and expertise is to institutionalize the function of investigation into pending policy issues by utilizing the existing staffs in the Secretariat, and to develop information networks with other sources about the issue. These investigations and information networking should be the main tasks of the Division in each policy area.

In sum, to increase party influence on policies, (i) the current chairmanship of Division in each policy area needs to be filled by influential politicians with relevant expertise;
(ii) together with the CPA chairman and the OPC director, the chairmen of relevant Divisions should be able to participate in policy debates held in the Blue House between the ruling party and the government; and (iii) investigations and information networking need to be institutionalized by each Division.

3. Limitations and Further Research Topics

One limitation of this study lies in its data base. Because the president and other informal influentials could not be interviewed, the analysis of the president's interpretation of and judgment on arguments between the ruling party and the government was based on indirect⁹ and limited data. Another problem is that member check of data was partially, not thoroughly, made.¹⁰ This study needs to be complemented by more rich and reliable data in the future. Finally, this study was not duplicated to other cases to test its generalizability. The framework suggested here is tentative.

This study did not cover policy coordination which was not accompanied by the president's intervention. This study was focused on one of many possible patterns of policy coordination between the ruling party and the government. A

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⁹ "Indirect" in the sense that evidence about the president's judgment behavior is not from his own words, but from data that witnesses provided.

¹⁰ See the section on 'validity and reliability.'
number of policy conflicts are settled in policy coordination meetings between the ruling party and the government. Some interdepartmental conflicts are settled by the ruling party's siding.
LIST OF INTERVIEWEES

Government Side

1. CHO, SOON  Former Deputy Prime Minister and
               Minister of Economic Planning Board (EPB)

2. LEE, KYU-SUNG Former Minister of Finance (MOF)

3. HAN, SEUNG-SOO Former Minister of Commerce and Industry
               (MCI)

4. PARK, SEUNG Former Chief Presidential Economic
                  Secretary,
                  Former Minister of Construction (MOC)

5. HAN, I-HUN Former Bureau Chief,
                 Bureau of Economic Planning, EPB

6. LEE, KYU-HWANG Former Bureau Chief,
                   Bureau of Land Affairs, MOC

7. JIN, DONG-SOO Former Division Chief, Div. of General
                    Affairs, Government Task Force for
                    Regulation of Fictitious Names in
                    Financial Trade, MOF

8. PARK, WON-SUK Former Division Chief, Div. of Land
                    Policy, Bureau of Land Affairs, MOC

9. CHOI, BONG-HAN Former Section Chief, Div. of General
                    Affairs, Government Task Force for
                    Regulation of Fictitious Names in
                    Financial Trade, MOF
10. Choi, Kyu-Hyun  Former Section Chief, Div. of General Affairs, Government Task Force for Regulation of Fictitious Names in Financial Trade, MOF

11. Kim, MOON-SOO  Former Section Chief, Div. of Tax System, Government Task Force for Regulation of Fictitious Names in Financial Trade, MOF

12. KWON, O-BONG  Former Section Chief, Div. of Financial Planning, Bureau of Planning, EPB

13. SUH, BYUNG-HOON  Former Section Chief, Div. of Regional & Infrastructure planning, Bureau of Planning, EPB

14. KANG, KYO-SIK  Former Section Chief, Div. of Land Policy, Bureau of Land Affairs, MOC

15. HU, JONG-KOO  Former Section Chief, Div. of Tax System, Bureau of Tax Affairs, MOF

Ruling Party Side

1. LEE, SEUNG-YOON  Former Chairman of Council of Policy Affairs (National Legislator)

2. KIM, YONG-HWAN  Former Chairman of Council of Policy Affairs (National Legislator)

3. HWANG, BYUNG-TAE  Member of Special Economic Committee (National Legislator)

4. SUH, SANG-MOK  Former Vice-Chief of Office of Policy Coordination, Council of Policy Affairs (National Legislator)

5. SUH, JUNG-HWA  Former Vice-Director of Construction Division, Council of Policy Affairs (National Legislator)

6. SHIM, KOOK-MOO  Former Vice-Chief of Office of Policy Coordination, Council of Policy Affairs

7. LEE, TAE-HYUNG  Former Chief of Bureau of Policy Affairs

8. SUH, SONG-JOO  Former Vice-Chief of Bureau of Policy Affairs
10. LEE, JAI-GUN  
Former Division Chief,  
Bureau of Policy Affairs

11. YANG, JAI-SUNG  
Former Division Chief,  
Bureau of Policy Affairs

12. PARK, SONG-KYU  
Current Party Expert on Law

13. CHO, WAN-KYU  
Current Party Expert on Construction

14. WOO, SUNG  
Current Party Expert on Labor

15. YOON, SUNG-RHO  
Former Aide to legislator SANG-MOK SUH

16. KIM, JUNG-YEOL  
Former Aide to legislator BYUNG-TAE HWANG

Presidential Office (Secretariat)

1. MOON, HEE-GARB  
Former Chief Presidential Economic Secretary

2. HONG, CHUL  
Former Presidential Secretary

3. KIM, HAK-JOON  
Current Presidential Policy Assistant

4. JOO, HONG  
Aide to Current Chief Presidential Economic Secretary

Reporters

1. LEE, JANG-KYU  
Vice-Chief, Department of Political & Economic Affairs, Central Economic Daily

2. KIM, WAN-SUP  
Vice-Chief, Department of Economic Affairs, Economic Daily

3. HONG, SUNG-BUM  
Reporter, Department of Economic Affairs, Korea Economic Daily

Research Institute

1. KIM, HYUN-SIK  
Senior Researcher, Korea Research Institute of National Land Development

(* This list includes most of key policy officials, except for three important officials, who were deeply involved and influential in two cases. Three officials whom I could not contact are the current president, the current top economic adviser, and the Representative of the Ruling Party).*
INTERVIEW QUESTIONS

To government officials

1. Why did the government take such a policy stance (content)? Why do you think the ruling party took a policy position that was opposed to that of the government?

2. Was there a consensus over these positions in the government? Who had different opinions and why? What about the ruling party side? Did all members of the ruling party oppose the government policy position? Who were the leading advocates in each side?

3. What did the government do to push its position against the ruling party's opposition and when? In overcoming the opposition from the ruling party, what strategies did the government use and for what purpose? What did the ruling party do to block the government policies and when?

4. What conditions existed to facilitate pushing the government position? How did the government use these conditions? Was it successful? What obstacles existed? How did you try to overcome them? Was it successful? What about the ruling party side? Do you think there were any favorable or adverse conditions for the ruling party? How did the ruling party handle them?

To the ruling party members

1. Why did the party take such a policy stance (content)? Why do you think the government took a policy position that might hurt the interests of the party?
2. Was there a consensus over these positions in the party? Who had different opinions and why? What about the government side? Did all members of the government leaders oppose the party policy position? Who were the leading advocates in each side?

3. What did the party do to push its position against the government's resistance and when? In overcoming the resistance from the party, what strategies did the party use and for what purpose? What did the government do to debilitate the party opposition and when?

4. What conditions existed to facilitate pushing the party position? How did the party use these conditions? Was it successful? What obstacles existed? How did the party try to overcome them? Was it successful? What about the government side? Do you think there were any favorable or adverse conditions for the government? How did the government handle them?
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*Kyunghyang Shinmun [ Kyunghyang Newspaper ]*


Maeil Kyungie Shinmun [Economic Daily]


Seoul Shinmun [Seoul Newspaper]


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Chooogun Hankuk
