

Globalization of the Economy and Localization of Politics?: *Restructuring the Developmental State via Decentralization in Korea*

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Abstract

Initially introduced as a political strategy in the process of democratization, decentralization policy became a new device for restructuring the Korean developmental state after the financial crisis of 1997. At first glance, aspects of decentralization policy appear to have followed the imperatives of the global shift towards neoliberalism, thereby resulting in gradual penetration of market mode of reform in formulating intergovernmental relations as well as in functioning of local governance. In reality, however, proofs contradicting regulation-theoretical predictions are numerous. The end result was not deconstruction but re-construction of the Korean developmental state. Far from being hollowed out, the state actively mediated the nexus between globalization and local transformation. From this analysis, this essay concludes that for the enhancement of local democracy more emphasis should be put upon the activation of civil society to counteract the anomalies of local autonomy committed both by local and central government.

Keywords: politics of decentralization, regionalism, globalization of the economy, local democracy, Korean developmental state

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Converging Divergence: The Interesting Case of Korea

Beginning from the early 1980s, as if touched by invisible hands, many countries around the world (regardless of political ideology and economic system) have either introduced anew or intensified decentralization experiments. Legislation in favor of regional and local autonomy by the French socialist government under Mitterrand, the radical political experiments of the conservative Thatcher government in England, and the "New Federalism" adopted by the Reagan administration in the United States (Norton 1994) were followed by Latin American decentralization experiments in Mexico, Brazil, and Argentina (Montero and Samuels 2004). But the global decentralization trend of the 1980s did not stop here. Chinese economic development experiments via decentralization policy (Chung 1999) and the belated but lingering efforts of the Japanese government towards a more decentralized state (Akizuki 1995) are good examples of East Asian cases. Also, the collapse of Eastern European socialist regimes brought about dramatic changes in the highly centralized planned economy in favor of civil society-based decentralization (Treisman 1999).

Although somewhat belated, beginning from the early 1990s, Korea followed this global trend by reintroducing once-discarded local autonomy. However, close investigation of the Korean case reveals the somewhat peculiar characteristics of the process, combining the political and economic imperatives of the 1990s. It first came to the fore at the early 1990s as a response to the demand for political democratization that emanated from the civic uprising against the military regime. But, with the sudden onset of the 1997 financial crisis, the democratic nature of the process abruptly turned into an economic one. In short, it began with emphasis on grassroots democracy and changed into an instrument for the economic competitiveness of the Korean state.¹ No country on the globe has ever experienced such

1. Press headlines on the topic dramatically reveal the changing process. Major keywords that appeared in the press during the early period of the policy were partic-

a dramatic shift of emphasis in the process of decentralization.

As is widely acknowledged in both the academic and real world, the so-called Korean economic miracle of the 1970s and 1980s could only be accomplished under the *highly centralized* bureaucratic authoritarian political/administrative system.² Compared to other countries that experimented with a decentralization policy, however, the Korean experiment provides us with a very interesting case in terms of interpreting the causes and consequences of decentralization policy. That is, in accordance with the experiences of Western countries, the Korean case of decentralization (especially after the financial crisis) can be interpreted as a response to the increasing demand for economic competitiveness caused by global economic restructuring. The previous development model based on centralized state control, which was proved to be efficient in mobilizing scarce resources for rapid economic growth, was put under serious constraints from international sectors. In short, as in the cases of many other countries, the highly centralized Korean state had to adapt itself to the new environment through the adoption of decentralization policy.

But at the same time, in contrast to Western cases where decentralization brought about sizable changes in the nature of state functioning towards marketization, restructuring of the Korean state via decentralization thus far has proceeded not at the cost of, but upon the continuum of the previous developmental state model. As will be discussed later, changes in state functions caused by global economic restructuring (especially after the financial crisis of 1997) were gradually replaced by traditional state functions. Given the openness and vulnerability of the Korean economy to the world market, the mode of Korean state restructuring via decentralization is supposed to pursue *de*-construction (instead of *re*-construction) of the previous devel-

ipation, civil society, and grassroots democracy. Nowadays they have been extensively substituted with such words as competition, reform, innovation, national competitiveness, and so on, with some decorative emphasis on the democratic nature of the topic.

2. Long ago one commentator on Korean politics aptly described the phenomena as a "vortex" (Henderson 1968).

opmental state. Consequently the chasm between the theoretical forecast and practical implementation of policy implies divergent ramifications of the political nature of decentralization in terms of local democracy. While democracy against encroaching market forces is a major concern in Western cases, democracy against government forces still looms large in Korea.

As has been widely discussed elsewhere (for example, Goetz 1993; Pickvance and Preteceille 1991), two factors are relevant to interpreting the seemingly irreversible global trends towards decentralization. The first is globalization of the economy and the second is concomitant spread of political democratization, or what Huntington called "the third wave of democratization" (Huntington 1993). Regarding the first factor, the wild spread of decentralization policy reflects the rising influence of neoliberal market-oriented conservative political philosophy. According to this interpretation, rapidly evolving global economic restructuring forces centralized states to adopt more flexible and decentralized state restructuring to increase their competitiveness in the world market. As is often widely quoted, states become too small to handle big problems and too big for small problems. As a consequence, the state has to restructure itself by sharing its power horizontally with the market and civil society and vertically with local government. Regarding the second factor, in non-Western parts of the globe (as was strongly argued by liberal political theorists such as John Stuart Mill and Alexis de Tocqueville), democratization of the highly centralized authoritarian state was supposed to stimulate local autonomy based on newly emerging civil societies.

Reflecting upon two dominant theoretical interpretations, this essay is written with two purposes in mind. First, against the backdrop of the theoretical argument of economic imperatives put forward by the regulation approach, this paper aims to describe what has actually happened in the process of implementing decentralization in Korea. By doing so, presumably we can find the degree to which the Korean case has deviated from the generally accepted economic interpretation of decentralization. Second, this paper also aims

to find the possible causes for why the Korean case deviates from that of other countries. Basically, the purpose is to descriptively analyze the domestic *political* ramification of economic restructuring in the process of implementing decentralization policy.

In doing so, rigorous comparative analysis of the causes for deviation is beyond the scope of this paper. Instead, it would suffice to circumscribe the scope of this paper within the category of modestly descriptive analysis. This is why I introduce regulation theory in the next part not as a means of theoretical analysis but as a frame of reference in describing the deviance of the Korean case. As a consequence, my search for the causes of this deviation will be modest and partial in that it will require further research for more rigorous analysis.

Global Economic Restructuring and Newly Emerging Local Governance: A Theoretical Consideration

Restructuring through Regulation

Regarding the interpretation of the nexus between global economic restructuring and its local impact, one of the most coherent bodies of theory thus far can be found in the regulation school approach. Originally developed by a small group of French Marxist economists such as Michel Aglietta (1979) and Alain Lipietz (1987) in the mid-1970s to explain the capitalist economic change, regulation theory has subsequently been adopted by a number of economists, geographers, and political scientists, making it a rich and highly diverse school of thought (Painter 1995). Despite the diverse nature of its arguments and applications, the basic tenets of this approach are based upon two key concepts of *regime of accumulation* and *mode of regulation*, which are used to analyze the crisis and contradictions of capitalist accumulation in advanced capitalist countries.

Regarding the regime of accumulation, according to regulation theorists, advanced Western countries are said to have experienced a transition from a regime of Fordist accumulation to a regime of neo-

or post-Fordist accumulation (Jessop 1990, 1992). While the former is based on mass production and mass consumption, the latter is based on flexible specialization in both production and consumption. Concomitant changes accompanying the regime of accumulation can be found in the mode of regulation, too. The Keynesian welfare state is a typical state mode of regulation accompanying Fordist accumulation that stresses collective provision of public services through fiscal policy. By contrast, although not yet ripe for precise application, the Schumpeterian workfare state that stresses supply-side economics and international competitiveness is an ideal mode of regulation by the state to the post-Fordist regime of accumulation. The consequence of the transition is, according to Jessop, a decisive weakness in nation-state power (at least economically) derived from the global challenge leading to the "hollowing out" of the nation-state (Jessop 1994).

A compressed sketch of the regulation approach certainly does not suffice to discuss the strengths and weaknesses of the theory (which is beautifully analyzed elsewhere, for example, Preteceille 1990) and entails the danger of oversimplification of the theory. A recent upsurge of interest in the theory among urban theorists, however, provides us with ample and rewarding opportunities to discuss the causal nexus of the local impact of global economic restructuring from spatial and territorial perspectives. The most important contribution the regulation approach to the global-local nexus has made can be found in *relating the sphere of production* to local changes. This is a remarkable advancement compared to previous urban/local research studies, which largely focused on social conflicts (for example, the urban social movement) surrounding collective consumption, (of course with good reason) thereby failing to coherently relate urban/local settings to the sphere of production. Thinking of the increasing importance of the economic growth strategy adopted by local governments around the world, the theoretical and practical ramifications put forth by the regulation approach merit serious consideration. In this sense, it is not hard to find selective affinity between the regulation approach and the arguments put forward by

Paul Peterson's seminal work *City Limits* (1980) published at the beginning of the 1980s.

Emergence of New Local Governance

The underlying logic that connects arguments put forth by the regulation approach with state restructuring can be divided into two parts: the first concerns the changing relations between and among levels of governments, and the second concerns the changing role and policy atmosphere of local governments. Following theoretical analysis, at the first level, global economic restructuring necessitates revision of the traditional territorial division of labor between local and central government in favor of decentralization. The crisis of the Fordist regime of accumulation embodied in the decay of the welfare state brought about changes in the practice of centralized economic planning and the mode of collective consumption codified in the welfare state. The traditional Fordist mode of central planning and local implementation of welfare service provision has become more flexible by shifting responsibility from central to local government. The natural outcome of fractioning services and relocating them to the local level was enhanced flexibility and competition among local governments. In this situation, social rights obtained through class compromise of the welfare state came to be dismantled from a collective mode to an individualistic one (Preteceille 1990, 50-51). As a consequence, the share of local spending in the national budget is supposed to decline, and the inequalities among local governments in terms of economic capacity are supposed to increase due to lack of central coordination and increased competition among local governments (Hill and Fujita 2000).

At the second level, the most observable change with the introduction of the decentralization policy based on the flexible mode of regulation is the increasing tendency of local governments towards economic mobilization. As is now easily observable around the world, local economic development is highly prioritized by local government, which was absent before the coming of global economic

restructuring. By contrasting the mobility of capital against the immobility of labor, Paul Peterson tried to show us in his seminal work why local governments in the US cannot but prefer economic growth policy at the cost of a redistributive one (Peterson 1980).

Changes in local governance do not stop at the policy level that favors economic growth. The changing mode of managing local governance also bears a resemblance to what regulation theorists predict regarding post-Fordist mode of production. A series of innovative management skills, which were claimed to be efficient corrective measures on bureau-pathologic inertia, were introduced under the name of New Public Management, ranging from customer care, budgetary devolution, renewed concern for the importance of evaluations, and leaner managerial hierarchy. If we borrow terminology from Hirschman, the exit option at the cost of the voice option (that is, the market mode at the cost of the politics mode) is thoroughly emphasized (Hirschman 1970).

Given this emphasis on the exit option, the role of the government is supposed to experience further shrinkage, as is well summarized in the phrase “more governance with less government.” Privatization of public service provision takes the key role in the new mode of regulation. Sometimes in lieu of and other times in conjunction with privatization, numerous corporation-like agencies outside the system of elected local government become prosperous; local governments are supposed to be modeled after them for further innovative reform.

Following this general mode of marketization is a new societal mode of regulation adopted by local governments, which resulted in the growing polarization of local civil society. This had a tremendous impact on the working of democracy at the local level (Burns, Hambleton, and Hogget 1994). Traditional emphasis on collective participation of local politics is being substituted by emphasis on individual choice, thereby transforming the notion of community-based citizenship into fragmented individual consumerism (Vivien 1995). This is why the so-called “crisis of democracy” is being taken up as a serious research topic among social scientists regardless of political ideol-

ogy. As a solution to the crisis, liberals like Putnam emphasize the growth of “social capital” (Putnam 1993), while more progressive researchers like Wright emphasize “empowered participatory governance” (Fung and Wright 2001). Still others like Hirst argue for “associative democracy” based on the notion of deliberation (Hirst 1994).

In brief, according to theoretical arguments put forth by the regulation approach, the resulting changes (derived from global economic restructuring) at the central and local levels (including inter-governmental relations) can be summarized as follows:

1. The hollowing out of the state that stresses supply-side economics and international competitiveness
2. The transfer of the central state function of planning to local government
3. Reduced spending by local governments through central governments' cutback policies
4. Increasing inequalities among local governments
5. A tendency towards strong economic mobilization by local governments and its concomitant reform through the adoption of market-oriented innovation

Aspects of Local Governance in Korea

Beginning and Renewal: A Brief Background

As has been already mentioned, one of the most quintessential elements of the so-called Korean economic “miracle” can be found in the presence of a highly centralized state. Among the states that belong to a market economy, Korea has arguably been one of the most centralized, notably epitomized as a “developmental state.” In the 1950s, Korea experienced a brief period of local autonomy only to be abolished by the military regime of Park Chung-hee in 1961. From then until 1991 (when the first local councilors were elected), local government in Korea was totally subsumed under control from the

central government. There was not a single local election and all high-ranking local government officials were appointed from the center. In controlling local governments, the Ministry of Home Affairs stood at the apex for the purpose of mobilizing scarce resources for rapid economic growth. In short, instead of local government, local administration was thoroughly controlled from the center. In this sense, local entities were absolutely instrumental for accomplishing the goals of the Korean developmental state.

Considering the stoutness of the highly centralized developmental state, local autonomy began quite *unexpectedly* as a consequence of political democratization in the late 1980s. In 1987, a massive student-led civic uprising erupted to overthrow the military rule. What was most peculiar about the uprising was the active participation of the Korean middle class, who had been the beneficiary of the military government's economic policy. In the process of calling for the transfer of power to a civilian government, a compromise between the military and opposition parties resulted in the introduction of local autonomy (Yoo 1994). This was quite unexpected in the sense that in the process of democratization the issue of local autonomy never enjoyed popularity for hot public debate among either parties concerned or in civil society.

In this sense, the introduction of local autonomy was an appendix to democratization and politically quite opportunistic. While for the military government it was a political gesture towards more democracy to bypass the pressures of an instant power transfer, the opposition party regarded it as a steppingstone to acquiring power. The equation of local autonomy with so-called "grassroots democracy," as was widely circulated in the press, hid these different political calculations for both parties concerned. Perhaps this is partially because why the unfolding of decentralization during the Kim Young-sam administration (1992-1997) was retarded and delayed. Although local councilors were elected in 1991, it was not until 1995 that the first local government comprising both councilors and mayors was inaugurated. According to Yoo, Kim Young-sam government violated laws many times to delay the actual implementation of the policy

(Yoo 1994). Swift policy implementation was further delayed when the first local election of 1995 ended in favor of the opposition party. Especially for governing party defeat in a local election in the capital region (including of Seoul and Gyeonggi-do province) was regarded as a hard-to-surmount political setback for the coming presidential election. In this environment, then, it was quite natural that the transfer of power and money from central to local governments was so distorted and delayed. Sharing political power with the opposition party through enhanced decentralization was not an easy choice for the governing party.

What can be called the "1987 system" of decentralization, however, has experienced a major facelift after the Korean foreign currency crisis of 1997, which can be named the "1997 system." While the former, under the name of "grassroots democracy," emphasized the political aspects of local democracy, the latter has turned the direction of policy towards more market-oriented competitiveness and reforms of local governance. The financial crisis of 1997 had profound impacts on all the aspects of Korean government and society. The IMF requested the complete neoliberal restructuring of the developmental state as a precondition for the bailout program, which can be interpreted less as a "restructuring" than as a "de-construction" of the Korean developmental state. Although the IMF did not directly mention the excessive centralization of the state, public sector reform undertaken by the Kim Dae-jung administration set the foundation of decentralization initiatives for the incoming Rho administration.

In contrast to the Kim Dae-jung administration, whose neoliberal reform policy was largely focused on affairs at the central level of government (Kim and Kim, 2005), the Roh administration has made the agenda of decentralization one of its highest reform policy priorities. To borrow Goetz's terminology (1993), the reform policy of the Kim Dae-jung administration was based on "horizontal" state restructuring to realign state-market relations, while that of Roh administration is based on "vertical" restructuring to realign central-local government relations. A presidential committee called the "Government Reform and Decentralization Committee (GRDC)" is a major architect

of this policy. As its name clearly denotes, decentralization is a means to an end of government reform and state restructuring for the Roh administration. Key components of decentralization architecture are competition, civic participation, innovative reform, and autonomy. Enhanced national competitiveness through innovative decentralized state restructuring is a prime goal of the policy. In short, the Roh administration aims to go beyond the developmental state through state restructuring via decentralization (GRDC Report, 2005).

For actual policy implementation, three principles were suggested by the Committee. The first was the principle of “devolution ahead of corrective measures,” and the second and third were the principle of subsidiarity and the principle of comprehensiveness, respectively. The Roh administration is well aware of the obstacles to decentralization that are firmly rooted in the long tradition of excessive centralization. In order to overcome these obstacles, the bold and swift steps engrained within these principles were in order.

What Has Actually Happened?

A brief introduction to the background of decentralization in Korea during the last two decades (1987-2006) clearly shows the possibilities for applying the regulation approach to the Korean case. After first being introduced as a political strategy in the process of democratization, decentralization policy became a new device for restructuring the Korean developmental state after the 1997 financial crisis, especially under the Roh administration. Having passed almost a decade since the financial crisis, which was a good test case of the regulation approach, it is not too premature to look back on what has actually happened.

1. Hollowing Out of the Developmental State?

It is hard to deny that after the financial crisis of 1997 there was a sea change in the general atmosphere of Korean society. Simply stated, Korean society appears to be moving towards what Jessop described

as the Schumpeterian Workfare State. The social mode of regulation seems to have changed from state control to a more market-oriented one as in the case of the growing polarization of social class, flexible labor market, and emphasis on governmental deregulation. It seems, however, too early to announce the demise of the Korean developmental state. Following the demands of the IMF, the Kim Dae-jung administration embarked upon broad, swift reform in the public sector, financial sector, corporate sector, and labor. Open and transparent market, reduction of cronyism and corruption, greater emphasis on competition and supervision, reduction of trade barriers, liberalization of foreign direct investment, and governmental de-regulation are good testimonies to the reform.

But what is more important is the fact that the Korean developmental state was at the forefront of the planning and implementation of these reforms. “Intervention not to intervene” was the justifying logic of governmental market intervention. In order to guarantee a free and competitive market, government intervention was called for. In this situation, reduction of governmental function was beyond the question, let alone, a hollowing out of it. According to a study of public sector reform through the lens of government institutional reorganization (Kim and Kim 2005), state restructuring was limited to minor changes and failed to curb the powerful bureaucracy. In particular, the very existence and power in economic planning of the Ministry of Finance and Economy (MOFE), which can be seen as an heir to the Economic Planning Board (EPB) of the previous era, is a good testimony to what has actually happened.

2. Transfer of Central Government Functions to Local Government

As is well revealed in GRDC Report (2005), by establishing principles for implementing decentralization, the Roh administration clearly manifested its intention for swift and comprehensive handing down of central government functions to local government. The National Assembly passed the Special Law for Decentralization in 2004. On the grounds of this law, the GRDC transferred a great deal of central

government functions to local government, under the supervision of the central government, and tried to draw a clear line between local and central government functions. As a consequence, it is an undeniable fact that elected local government now enjoys more freedom in personnel, organizational structure, and so on.

Two important points, however, should be mentioned. First, despite the somewhat impressive transfer of functions in number, more important planning functions regarding regional development are still severely curtailed by central government. Considering the feeble financial capacity of many local governments, the use of planning power for regional economic growth is an irresistible temptation, whatever the results may be. Disputes over the Green Belt policy and other intensive regulations regarding land use imposed upon the capital regions by the central government clearly reveal the limits in the transfer of central government functions. In addition, despite efforts to draw a clear line between central and local affairs, gray areas still loom large where central power reigns under the name of customary practice.

When the division of labor between central and local government does not work in favor of central government intention, national or public interests are invoked, and material and institutional leverage is employed by the central government. For example, when locals strongly oppose the central government's choice of a site for nuclear waste disposal, the central government has two options. The first is to offer material incentives, and the second is to put the matter on a local referendum. According to the newly amended Local Referendum Law, central government has the authority to put the matter on local referendum and in this case the local government is supposed to follow the suit, thereby overriding the institutional autonomy conferred on local government.

3. Reduced Spending through a Cutback Policy?

According to Pickvance and Preteceille (1991), from the mid-1970s to the late 1980s in six OECD countries (UK, USA, France, West Ger-

many, Denmark and Canada), central governments cut back on financial support to local governments. As a result, local government spending as a percentage of the GDP decreased. Also in Latin America, introduction of fiscal federalism, which argues for transferring both budgetary powers and responsibilities to lower levels of government became an important policy instrument in decentralization (Garman, Haggard, and Willis 2001). The purpose, of course, is to internalize benefits and costs within the jurisdictional boundary so as to ensure the most efficient use of scarce material resources.

Unlike the above-mentioned cases, however, local spending as a percentage of the Korean GNP is not decreasing. Rather, aside from some slight fluctuations, it is slightly increasing. Local spending comprised 10.2% of the GNP in 1991, 10.9% in 2001, and 11.4% in 2003 (Korea Statistical Information System 2005). But at the same time, this does not imply that local spending increased in importance. Comparing the relative weight of local spending to central spending, shares of local spending decreased from 55.5% in 1991 to 50.5% in 2003. In total, both central and local spending increased as a percentage of the GNP, but the rate of increase was slightly higher in central spending. As many commentators on the local fiscal situation in Korea clearly point out, the fiscal size of local government is increasing, but the local fiscal structure remains unchanged. Still, control from the center dominates in many ways. The consequence of this tendency is well reflected in the degree of fiscal autonomy of local government. According to statistics (Ministry of Government Administration and Home Affairs 2005), the degree of fiscal autonomy dropped from 64.8 % in 1991 to 56.2% in 2005.

In contrast to the prediction by regulation approach (or by extension, fiscal decentralization based on public choice theory), fiscal intergovernmental relations in Korea are more concerned with standardization and equity than with flexibility and competition. For equitable provision of basic public services among local governments, central government automatically allocates a fixed amount of national tax (18.3% of national tax) in a form of revenue-sharing according to a formula, with no strings attached. This is intended to

reduce the gap between the tax-poor and tax-rich local governments. As is the case with many other countries, urbanization and metropolitanization of the economy produced an insurmountable gap between and among local governments. This problem is of utmost importance in Korea, which has experienced one of the most rapid urbanizations and industrializations in the world since the 1960s.

At this point, we can find a very similar logic of developmental state intervention between fiscal intergovernmental relations and economic reform. Regarding economic reform, market intervention by the state was justified on the grounds that the state must act as an umpire to correct the structured distortion of the market in favor of conglomerates. That is, the state intervenes in the market as an umpire in order to not intervene any further. In a similar vein, in order to promote competition through decentralizing the central government, the ground must be cleared for fair competition between poor and rich areas. In this case, the state acts as a guardian of the national minimum standard in public service provision. In both cases, the final goal is enhanced national competitiveness *a la* market mode. But curiously enough, the policy orientation is thoroughly state-centered.

4. Increasing Inequalities among Local Governments

The Gross Regional Product (GRP) is a good indicator for measuring regional disparities in terms of economic activity. As of 2004, according to statistics provided by the Korean National Statistical Office, regional economic disparity is a serious one. The capital region, which comprises Seoul, Incheon, and Gyeonggi-do province, produced 47.4% of the GRP, and the southeastern industrialized region, which comprises Busan, Ulsan and Gyeongsang-do provinces, produced 24.5% of the GRP. In total, the two developed regions produced 71.9% of the total GRP (KOSIS website).

As is well-known, this excessive regional disparity was a direct outcome of the rapid economic growth strategy of the last three decades from 1960 to 1990. Scarce resources were in need of concentration on specific industrial sectors as well as on regions that had a

comparative advantage for export promotion (Kang 1989). One of the most serious and damaging political consequences of regional disparity is a prolonged encroachment of regional conflict upon every nook and corner of political mobilization at the cost of democratic political institutionalization. It is already a worn subject to relate regional disparity to regional conflict. Many other factors contribute to the initiation and evolution of regional conflict. But it has become a widely acknowledged and undeniable fact that growing disparities in regional development are the material foundation of the conflict.

Recent statistics, however, show other signs of regional development. At least in terms of the GRP, regional disparity is not deteriorating any further. Rather, there are signs of minute improvement. In 2000, 72.5% of the GRP came from the most developed two regions, while in 2004 it dropped to 71.9% (KOSIS website). Instead, the intra-regional disparity is taking the place of inter-regional disparities. Within jurisdictional boundaries, socio-economic polarization occurs on the basis of spatial differentiation. That is, affluent areas become more prosperous while underprivileged areas become poorer *within the same region*. Seoul metropolitan area is a case in good point. Internal differentiation and the increasing inequality between southern better-off districts and the remaining ones of Seoul has become already a serious social problem. This is one of the reasons why Cho refers to the signs of post-Fordist spatial flexibilization in metropolitan Seoul (Cho 1997).

Other important signs that counteract the increasing regional disparities can be found in the macro-regional policies adopted by the Korean developmental state, especially under the Roh administration. In an attempt to curb and mitigate the problems caused by regional inequities, the Roh administration vehemently pursued a policy of balanced regional development. The attempt to relocate central administrative functions to Chungcheong region is one of the most important steps in this direction that have been taken by the Roh administration (Kang 2006). In a similar vein, the Roh administration has also attempted to relocate major public enterprises (for example, the Korean Electricity Corporation, Korean Housing Corporation,

Highway Corporation, and so on) to regional centers of underdeveloped regions.³

What is most peculiar about relocation is the *ambivalent nature* of regional development planning, especially when the Roh administration emphasizes the inevitable correlation between balanced regional development and decentralization. As is well-documented in practice as well as in theory, decentralization policies that emphasize local autonomy contradict balanced growth among regions. This is mainly because local autonomy inevitably entails major components of economic competition among local governments that contradict balanced growth based on equity and a minimum national standard. In order to connect the hard-to-connect elusive logical as well as practical relations, the Roh administration suggested the idea of local innovation with central government laying the foundations by relocating numerous public organizations *a la* Keynes—in this case not economically but spatially. Despite the renewed emphasis on competition between and among local governments for regional innovation, initiating and dominating role of the developmental state remains safe and intact. Once more, the state intervenes in regional matters so as to no longer intervene.

5. Economic Mobilization and Innovative Reform by Local Governments

After the introduction of the decentralization policy, there seems to have been a strong tendency in local government towards economic mobilization and innovative reform. Delegation of power *and* responsibilities from the central government is increasing, and this pushes

3. Discussions of the relocation of the capital to Chungcheong region first arose during President Roh's last presidential election campaign. Despite its seemingly undisputable logic for balanced regional development, the prime motivator for adhering to this campaign promise was actually a politically calculated move to garner votes from Chungcheong region (which enjoyed strong voting leverage in the tight competition due to regionalism between Roh and the opposition party candidate, Lee Hoi-chang). For more detail, refer to Kang (2006).

local governments to adopt a more aggressive local economic growth strategy. Simply stated, with decreasing protection from the center, local autonomy becomes autonomy to survive through harsh competition. As is forcefully argued by the regulation approach, economic mobilization by local government is one of the most important consequences of global economic restructuring. Following this interpretation, so-called entrepreneurial local government became the motto of many local authorities under the leadership of so-called CEO style mayors or governors in Korea, especially after the financial crisis. They invite foreign capital and direct investment and deregulate bureaucratic red tape for local economic growth. These are undeniable facts.

At the same time, however, we should avoid over-evaluating this trend at the cost of other no less important facts about the topic. As was discussed above, despite its reasonable intent to achieve minimum equity among local governments, subsidies from the central government in the form of revenue sharing at a fixed rate invite local governments into a less competitive mode. If poor local governments prefer strategy in favor of status quo at the cost of lucrative but hard-to-achieve changes, which is clear in some less prosperous local governments, then economic mobilization by local government is implausible. In short, central government protection *and* intervention become disincentives for adopting promising but risky economic mobilization strategy for poor local governments in the countryside.

In addition, there are still further disincentives to adopt more innovative forms of local economic mobilization *a la* Schumpeter. In Korea, the borrowing of money from the financial market is strongly regulated by the central government. Local borrowers must acquire permission from the Ministry of Government Administration and Home Affairs. This is quite different from advanced democracies in Western countries, where permission from the local people dominates over control from the central government. But, in actuality, the more important explanation of disincentives for economic mobilization at the local level can be found in central control in regional planning, especially regarding land use policy. The Ministry of Construc-

tion and Transportation and the Ministry of Government Administration and Home Affairs are at the forefront in delimiting the boundaries allowed for local government in regional planning. This is of utmost concern and dispute in the capital region surrounding the Seoul metropolitan area.

The natural consequence of this situation is the emergence of politics of consumption instead of politics of production, which emphasizes economic mobilization envisaged by the regulation approach. This is why provision of local public service is a far more important issue in local elections as well as in day-to-day local administration. This is also why, when conditions permit, local government enjoys a more lucrative but degenerating land speculation game within its jurisdiction under the name of regional development. What further aggravates the situation is the very presence of the undemocratic nature of local politics. Lacking in political mobilization through citizen participation, in pursuit of the more lucrative land speculation game, patron-clientele relationships based on private ties (such as alumni connections or regional ties from hometowns) mobilize themselves around mayors who wield far more local power than any other political institution (Park 2000).

In summary, the discourse of economic mobilization dominates local government in Korea nowadays. But, in actuality, it is too early to announce the emergence of entrepreneurial local government. At most, there might be workfare local governments, but no innovative, Schumpeterian local governments. As Preteceille succinctly puts it in the French case (1990), policy discourse becomes part of a discourse policy.

Towards Explanation: Regionalism, Bureaucracy and Beyond

Having described what has actually happened, it is time to bridge the gap between theory and practice, or precisely between globalization of the economy and localization of politics. Then, the question we have to answer is, "Why, despite real intentions to adapt the devel-

opmental state to the new global environment via decentralization, does actual accomplishment lag far behind the original goal of decentralization?" In order to answer this question, we need to delve into the question of "what are the negative legacies of the Korean developmental state that the Roh administration wants to overcome via decentralization?"

Regarding the latter question, two major pillars of the developmental state should be mentioned. One is the existence of highly centralized bureaucracy and the other is political regionalism (or, in more precise terms, regional conflict). While the former was an instrument for rapid economic growth, the latter was an instrument to keep power secure in the hands of the authoritarian regime. With the maturing of the developmental state, however, centralized bureaucracy became an obstacle to change, and regionalism to democratization. These are precisely the two objects that the Roh administration wants to overcome via decentralization, which have proven to be "not very successful" thus far.

Following this reasoning, the primary goal of decentralization policy pursued by the Roh administration can be found in reforming the role of bureaucracy. Unlike the cases in Western democracies where decentralization is firmly rooted in the political democracy of local autonomy, discussions of decentralization in Korea are centered upon how to distribute administrative functions and financial resources among the levels of government. In short, in policy dialogue concerning decentralization, administrative interpretation dominated political interpretation.⁴ Quite naturally, bureaucracy became the major actor of the decentralization game. In the process of planning and implementing policy, *bureaucratic politics* in the central

4. This phenomenon is also found in professional academic circles. The Korean Association for Public Administration (KAPA) has long been interested in research agendas regarding decentralization under the topic of local/urban public administration. By contrast, the Korean Political Science Association (KPSA) has showed less academic interest in this topic. The Research Committee on "Local Politics" was not formed until the late 1990s.

government as well as among different levels of government played a major role (Lim 2004, 408-425). As they have vested interest in a highly centralized system, central government bureaucrats have no reason to be hasty in sharing power with local governments. Once powers are delegated from the center to the local level, bureaucratic domination (with the mayor at the center) over other societal forces prevailed. In this sense, decentralization policy has been hijacked by bureaucrats. That is why current decentralization is sometimes ridiculed as “bureaucrat’s” autonomy instead of “local” autonomy.

The direct outcome of decentralization “from above” led by bureaucrats is the lack of institutionalization that activates citizen participation. This is quite contrary to what can be expected from the Roh administration that emphasized citizen participation from the beginning. Despite verbal commitment to citizen power during the election campaign, the major instrument the Roh administration employed to check bureaucratic pathology was the exit option called “New Public Management,” which relies on a market orientation. Acknowledging that this exit option does not work as expected (for example, due to increasing corruption of local governments), new legislative action was taken that further enhances the degree of citizen participation to curb bureaucratic domination. Introduction of local recall and renewal of local referendum are good cases in point. However, hastily prepared remedies require further refinements for actual application.

If the problem of bureaucracy has a more or less universal nature around the world, albeit to varying degrees and with different characteristics, the problem of regionalism is very peculiar to the Korean case. Local election outcomes since the introduction of local autonomy clearly show how much decentralization is enmeshed in central politics. The fact that local politics reflect the power terrain of central politics is not peculiar to the Korean case. But what is peculiar is the very fact that central political issues interpreted in the dialogue of regionalism have engulfed all of the major local political issues. In this sense, domination of central political issues over local ones has had a tremendous negative impact on the growth of local democracy.

Although not clearly manifested, by maneuvering decentralization policy, the Roh administration *implicitly* tried to convert the traditional rules of the political game based on regionalism to politics of territorial management based on competition and reform. In short, the Roh administration hoped that by activating decentralization policy through the provision of new game rules, a reform-minded, innovative regional competition would emerge that would restructure territorial politics from one of politically-oriented antagonistic regionalism to a more-or-less market-oriented “rational” regionalism (Kang 2003).

Symptoms of environmental change in this direction are visible, albeit at a minor degree thus far. Crosscutting the traditional dimension of regional conflict between the Gyeongsang and Jeolla regions, conflict of interests between the capital and non-capital regions becomes significant. Central government policy to permit further industrial park construction in the capital region for increased global competitiveness is a good case in point. As can be easily expected, the policy was met with severe protest from non-capital regions (including *both* Gyeongsang and Jeolla regions together, this time). Local governments from the non-capital regions argue that deregulation of the capital would engulf almost all of the manufacturing facilities like a black hole, resulting in the pauperization of the remaining regions. By contrast, local governments in the capital region argue that, due to increasing global competition, deregulation is a “must” and maintaining a regulation policy would only lead to co-degeneration of national industrial capacity. This case clearly shows how the global-local economic nexus interacts with (and/or against) decentralization policy in Korea.

But the real problem with the Roh administration is not that it envisages decentralization as a means to an end of developmental state restructuring, but that contrary to its provocative manifestation against regionalism, the Roh administration itself cannot but be trapped in the net of regionalism. The key contradiction of this kind is found in the concomitant pursuit of balanced regional growth and decentralization. While the former is based on the notion of “equity” through government intervention at the cost of local “autonomy,” the

latter is based on competition and autonomy. For example, the construction of the “multifunctional administrative city” originally began as a presidential election campaign commitment to relocate the administrative capital to Chungcheong region. But, after being refuted as “unconstitutional” by the Constitutional Court, the Roh administration was able to bypass public contestation by refurbishing the issue under the name of the “multifunctional administrative city.” The official (or justifying) logic of relocation was social consensus to curb excessive regional imbalance. But the underlying hidden (and more realistic) logic was an electoral calculation to garner the favor of the Chungcheong region, which is believed to play a decisive role in the tight electoral competition between Jeolla and Gyeongsang regions.

Concluding Remarks: What about Local Democracy in Korea?

Thus far, we have discussed how global economic restructuring has affected the Korean developmental state in terms of decentralization. Superficially, the Korean developmental state has followed the imperatives of the neoliberal global shift. But, in reality, the Korean developmental state manipulated the process without losing the main characteristics of a developmental state. In doing so, politics as remnants of the developmental state mattered. Therefore, the end results are ambiguous in the sense that both negative and positive legacies of the developmental state are intermingled. This is especially so when we consider the impacts of restructuring on local democracy in Korea.

In Western democracies, the encroaching power of global economic restructuring upon the welfare state resulted in a crisis of local democracy (Burns, Hambleton, and Hogget 1994). Marketization of local democracy, as a consequence, led to social polarization. Happily or not, the Korean case is somewhat different from that of Western democracies. Instead of being hollowed out, the Korean developmental state actively mediated the global-local nexus not through de-con-

struction but through re-construction of the state. From the point of view of local democracy, active mediation of the global-local nexus by the developmental state appeared somewhat Janus-faced. It protected local democracy from the massive, encroaching power of global economic restructuring. In this situation, local democracy has room to survive, or in other words has chance not to be colonized by globalization.

But the good news stops here. Local democracy must pay for its protection by the developmental state. Freedom from not being colonized by global market relations is one thing, and freedom from dominating state power is another. Currently, at the local level, the dominating power in Korea arises from local bureaucracy centered on an elected mayor. The presence of an American-style growth machine is hard to find in Korea. While local societies in Western democracies must pay more vigilant attention to marketization of local democracy, their counterparts in Korea must be ready to discipline local government through more citizen participation. This is why further research and attention should be paid to how civil society actually functions at the local level in Korea.

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