

**Local Government Reforms in Korea:
A Transition from a Marionette Performance
toward an Elementary Class Day**

Dalgon Lee
Professor, Public Policy,
Seoul National University
Seoul, Korea

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Introduction

The Korean local governments are in vortex. After the revival of full local autonomy, there have been significant changes in the local politics, the local government structure, and the local financial system. Also some reform-oriented measures have been undertaken by many local governments. Although some are still worried about the development of current changes in the local government system, majorities of the observers view these changes as positive in general.

In this paper the author attempts to review the recent developments of the area and suggest some directions for expanded local autonomy and enlarged and capacities for local governance. Diverse changes have been reported in the intergovernmental relation and within many local governments. However, the paper focuses more on the reform measures involving nationwide intergovernmental relations rather than changes within an individual local government.

Local Politics and Autonomy under Unstable National Politics

Korea's local autonomy was laden with formidable constraints that stem from the age-old traditional political culture, which had been steeped in the authoritarianism and centralization of power. No basic change in the nation's highly centralized politics has occurred even after the establishment of a modern nation-state in the wake of liberation in 1945. This cultural climate was aggravated in recent decades by the authoritarian military regimes, which regarded the resurrection of local autonomy as inimical to national unity and economic development.

After 34 years in the dock, local autonomy has again set sail in 1995. The revival of a full local autonomy itself has borne a considerable significance on the Korean politics. Citizens picked their local public servants with their own hands for the first time since they were deprived of that right by the military government of Park Chung-hee who had come to power through the May 16 Coup in 1961. From then, the appointing power of heads of local governments has been removed from the President to the residents. The heads of local governments and councilmen began to be devoted to their constituency.

The fruits of political reform, implemented by the Kim Young-Sam government, following its inauguration in 1993, include institutional changes such as introduction of the real name financial transaction system, the revision of law on the ethics of public officials, the enactment of comprehensive election law governing fair elections, prevention of election irregularities, and political funding, and so on. The Kim

government made a history-making decision of introducing full-fledged local autonomy in 1995, accommodating people's demands.⁽¹⁾

There have also been some changes in national politics, partly in anticipation of the advent of an era of expanded local autonomy. Development in the local political arena has indeed affected national politics. The Korean politics have been largely two-dimensional : the ruling party and the opposition party being confronted at the national level. Expanded local autonomy in Korea will add a new dimension of regional politics, involving relations between the central and local governments and among local governments. Consequently, the Korean politics is entering into the three-dimensional era in which horizontal and vertical relations will interact dynamically.

Usually political participation and local autonomy provide at a minimum for opposition elites an avenue to displace the existing rulers and perhaps a way also to incorporate previously dispossessed or denied groups by according them a positive role in the state.⁽²⁾ The comprehensive local election in June 27, 1995 gave a smashing defeat to the rule Democratic Liberal Party (later, the New Korean Party). In the June 27th (6. 27) local election, the opposition Democratic Party, the splinter United Liberal Democrats and independents took 10 of the 15 metropolitan mayoral and gubernatorial races. Among the 5,758 persons elected local administration chiefs and councilors in the local elections, there are many unexpected victors, new faces and non-political figures. Political pundits dub that situation the birth of "Seoul Republic," as the megalopolis is completely controlled by the opposition party. With many faces elected to local governments and councils, the local autonomy system, revived after a 34-year hiatus, is expected to better reflect the diversity of citizen's demands. The degree to which the Korean society has been transformed in the last five decades suggests that such change will be manifest however much the prevailing political culture causes them to take on unique and perhaps muted forms. Also a series of public education and debates contributed for the ordinary citizen to possess the value of local autonomy.⁽³⁾

Whatever the reason, it is indisputable that the people turned their back on President Kim. Upon his inauguration in February 1993, President Kim vigorously pushed reform policies. All Public post holders were required to make their assets public. He liquidated the core-circle in the military, thus establishing civilian supremacy. He put in place the real name financial transaction system, thus plugging hiding places for unearned income. Also no land is allowed to be sold using false names. On top of this, a forceful drive against all kinds of corruption was pushed through. Along this line, a large number of people in the elite class fell, harboring grudges against him. People applauded President Kim for the reformist measures. However, their life is the same as before as if the much-touted reforms were irrelevant. Thus, they began to think otherwise. For the worse, President Kim's job has gotten harder and harder because of recent scandals in which his son has been involved.

During the election, old-fashioned regionalism flared anew. The elections split the nation into three politically opposing regions: Chulla (Southwest region),

Kyongsang (Southeast region) and Chungchung (Middle of the South Korea). Then the National Congress for New Politics (formerly, the Democratic Party) leader Kim Dae-jung called for equal power sharing between regionally-based political parties, a scheme avidly backed by the president of United Liberal Democrats, Kim Jong-pil who is pushing for a constitutional revision to make the parliamentary cabinet system the next form of the government by riding on increasing regional rivalries. There may be other reasons for the smashing defeat and unexpected victory. Regional animosities raised their ugly head again, leaders of major parties and candidates resorted to mudslinging issues having little to do with local elections, such as, the calls for a shift to a cabinet government system and a generational change of politicians dominated the 16-day campaign. The issues involving the local daily politics have not been heard. Almost everything has been linked with the national politics and the presidential reform policy.

Local politicians have failed to rid themselves of tendency to rely too heavily on the national political figures and the central government. It is ironic that many of those running for provincial government positions with pledges to realize full local autonomy showed the same degree of dependency found among lower-echelon functionaries of national political parties. There were some exceptions, but the political elite in general seemed to share the perception that the long-established system of vertical control was convenient and effective in terms of national development. However smooth the process may be, devolution of power to regional authorities is bound to create conflict between those with vested interests and newly emerging forces.

The fact that the opposition parties secured channels to direct control local public affairs means many unprecedented things. From then the opposition camps also have borne some responsibility of governance. The performance of the related local governments may represent their ability. There are virtually very diverse conflicts among the resident groups and local entities that can be called "local-egotism." If these matters could not be handled properly the residents show disloyalty to the parties they selected based on local colors. The fact that the local political elites have diverse political party affiliations means they may represent the resident's party preference. In addition, the fact that there are local councils and chiefs who are not belonging to the government party means the prospect for local autonomy is bright. If the local councils and local administrators are dominated by the government party, local autonomy cannot prosper in the long embedded political culture of centralism.

It is well known fact that the national politics is divided along which the old fashioned regionalism. The National Congress for New Politics led by Kim Dae-jung attempts to control the local politicians and heads of local governments in the Chulla area and majority of the Seoul Metropolitan Council and ward chiefs. The United Liberal Democrats led by Kim Jong-pil controls the local politicians of the Chungchung area. And the government party controls the local politicians of the Kyongsang area.

The regional hegemony and animosities shown in the last local election perfectly represents national political cleavages based on the three regions. Local affairs often

hinges upon the will of a few national political figures and autonomy are restricted to a great extent. The local chapters of a political party are not operated democratically. The formation of local chapter is not based on the resident's participation. Chairman of the chapter who is appointed by party leader initiate recruiting members of the party. Usually local chapter does not have any functions in articulating public concerns or interests. They are working during the election campaign, as a vote-gathering machine. It is also known that the cost of maintaining and operating the campaign network is very high. And it is one major targets of political reform.

Local self-government is claimed as a tool for political health of the modern democratic state.⁽⁴⁾ However, the self-government with local animosities does not spontaneously entail political development in Korea. The last local election, on the contrary, helped turn the political arrangement back to the old one, resulting in more political uncertainty. Political parties should function as important link that can reconcile interest groups and bring forth-harmonious solutions. Yet, parties can handle this work well only when the framework of national politics is stably institutionalized. Due to partisan interests, political parties may tend to settle for makeshift solutions instead of seeking rational, coherent policies.

People's expectation for democratic response and clean politics runs ever high and they demand more for quality administrative service. However, it is not easy to filter the resident's demands effectively with existing politics-administrative as well as financial mechanism. The interrelation between the local politics and national politics seems to be ever changing. The battle among the national political parties will be intense, negatively affecting local politics. It is scheduled to have presidential election in 1997, and another local election in 1998. The frequent elections in the democratizing society with unstable party politics will have adverse impacts on the emerging local politics and autonomy. Since the local autonomy system has been operated only for three years, with strong influence from the national politics, the process for an expanded local democracy may be delayed.

The newly-elected local leaders are required to take bold measures to revamp old administrative procedures and practices that have laid much emphasis on the administration's convenience rather than that of citizens. It is noteworthy that extreme conservatism presently permeates local politics, which hinders creation of a new model of democracy. This is because today's local political actors come from conservative backgrounds and have conservative ideologies. Thus, the general tendency is likely to oppose striking changes in the ideological and structural framework of local politics as well as in local administrative practices.

Nevertheless, there is the possibility that a different climate would emerge at some localities following local elections. As things stand now, many local political elites have attempted to provide effective representation to local residents, although the mechanism for such representation is inadequate. Local politics can find its value when it is freed from power struggles and focuses on the tasks of local development and improving the quality of life for the local populace. In several localities, members of council as well as heads of local governments have tried to have wide contacts with the residents. They also showed their commitment in resolving

regional headaches, such as, conflicts from public facility sitting, urban renewal, public nuisance, etc.

The just-begun local autonomous administration will depend on how the central government works. In other words, the key is the transfer of authority and redistribution of financial resources to the localities. Under a genuine local autonomy system, the central government concentrates on national defense; diplomacy and national economy, while local administrations handle the affairs directly related to the welfare of residents, such as, traffic, supply of piped water, and housing problems. In the following chapters, we will deal with the recent development in structural adjustment, functional delegation, and financial system of the Korean local government.

Consolidation of Local Governments

Compared to the central government, it turned out easier to alter the local governance structure. Before the election, the central government initiated to consolidate many local governments whose boundaries had been criticized as inappropriate. Consolidation had been carried out through three stages: the 1st stage in April 1994–August 1994; the 2nd stage in August 1994–December 1994; and the 3rd stage in March 1995–May 1995. Through the three stages of the solidification, the number of local government have been reduced from 265 to 245. 40 urban-rural integrated cities were newly formed by collapsing the boundary of 41 rural district and 39 secondary cities. And 9 urban districts have been separated. The number of the upper-tier local government, i. e., 15 has not been changed although the specific boundaries have been readjusted reflecting residents' demands.

The principle of local government boundary definition has gone just in the opposite direction from the then existing policy direction: from the policy of separating the urban area from the rural areas, surrounding the urban center, i. e., hinterlands, towards the policy of integrating of the two different areas. The government intended for the integrated local government to realize the scale of economy in handling local government services. Also the areas of metropolitan governments were expanded for area-wide urban planning. Therefore, the areas of the Korean local governments are quite large when compared to other countries.

There is the conviction that small size is the automatic guarantee of healthy democracy. Especially the established systems of local governments in the Western European countries have contained too many too small local authorities to be truly efficient, but this was all to the good so far as the health of local democracy was concerned. However, the part of the case for larger authorities was based on the argument that with an increase in size would come an automatic increase in the caliber of council and heads of local governments. And the scope and quality of the local services provided by local authorities were related with the size of the authority.

It is true that some of the goods produced by local authorities are public goods and usual argument for scale of economy does not hold for certain local public

services. However, some sorts of services can enjoy scale of economy. Even if admitted that the scope for "technical economies" in local government is limited, it is still part of orthodoxy to suggest that larger authorities provide scope for "managerial economies." If two connected lower-tier local authorities are consolidated into one, it is evident to realize the managerial economies.

The following table 1 shows tiers and numbers of local governments in major countries.

Table 1 : Tiers and Numbers of Local Government

Countries	Unitary local Authority (lower-tier)	Number	Wide-body (upper-tier)	Number	State or Region	Number
U.K.	England	Non-metropolitan Districts	296	Counties London boroughs & City of London Metropolitan Districts	45 32 36	
	Wales	Non-metropolitan Districts	37	Counties	8	
	Scotland	Districts	53	Regions Islands	9 3	
Germany	Gemeinde (n)	8,846	Kreies Kreisfreie Stadt (Stadte)	428 121	Land (Lander) (Incl. 3 city-states)	16
USA	Municipalities Town/Townships	19,200 16,691	Counties (Incl. City-County)	3,403	States	50
France	Commune (S)	36,433	Department (s) (Incl. Ville de Paris)	96	Regions	22
Italy	Commune (Comuni)	8,704	Provincia (Provincie)	94	Regione (Regioni)	
Netherlands	Gemeente (n)	714	Provincie (n)	12		
Sweden	Kommune (r)	284	Landstingkommune (r)	23		
Switzerland	Commune (s)	3,000			Cantons	23
Finland	Municipalities (Incl. 94 town/cities & 366 other types)	460				

Sources : Alan Norton, International Handbook of Local and Regional Government, London, 1994.

* In Korea, lower-tier 230, and upper-tier 15.

* After the local government Commission Mark II recommendations, the following overall change was realized in U. K. : 46 new unitary authorities, 238 districts out of original 296, remaining as part of a two-tier system : 14 countries remaining unchanged; 20 surviving, but with the loss of one or more 'unitary' districts, and a mere 4 disappearing altogether. (For the process of re-organization and details, See, Steve Leach and Geny Stoker, "Understanding the Local Government Review: A Retrospective Analysis," Public Administrations, Vol. 75 (Spring 1997). pp. 1-20.)

As can be seen from the above table the number of the Korean local government is very small when we consider the population size. Although the recent consolidation may be helpful in improving the managerial economies, it is hardly useful in extending democracy in local government. Majority of lower-tier as well as upper-tier local governments was expanded: managerial efficiency can be realized within a local government by integrating two separated bureaucracies and by carrying out larger projects than before. However, an integrated lower-tier local government should carry out urban administration as well as rural administration at the same time with low level of the consolidation seems to be warmly accepted at the local level, but the real effects could not be analyzed yet.

Cities within a population exceeding 500,000 have "Ku" (small district within a city with population of 200,000–300,000) as well as "Dong" (the subunit of Ku with population of 20,00–30,000), as well as non-autonomous subdivisions, often-called administrative tier. Rural districts in turn are subdivided into towns (up) and townships (myon). In other words, one or two administrative tiers exist beneath the two autonomy tiers. Since controlling and mobilizing citizens were considered, in the past, an important local function, accordingly smaller subdivisions were created so that they could be easily managed and manipulated.

The fact that there are three to four administrative tiers, in total, means that the administrative costs for manpower and time is high.⁽⁵⁾ These multiple layers also increase red tape whose cost may be larger than their budget. It is necessary to reduce and remove lower administrative tiers. The eventual goal should be to have administrative tiers coincide completely with the current two-tier local autonomy structure. On this matter, consensus is reached except the group of people who are working at these offices.

One of the features of the current system is a strong across-the-board uniformity. Thus, a future reorganization of the local administration should be designed to accommodate the different conditions of the localities. Diversity and flexibility should be incorporated in designing the tiers and boundary of local government system so that specific needs of particular localities, including the capital city, metropolitan regions, coastal cities and farming and fishing villages could be met adequately.

Building stronger capacity for the lower-tier local governments should be a line for future development. Upper-tier governments may carry out selective functions needed for wider regional administration when the lower-tier governments make effective apparatus of local services and healthy democratic organs. As the financial conditions of local governments improve, it becomes possible to have lower-tier governments assume the full responsibility for the most of the local administrative functions. At this stage, the upper-tier local governments can be turned into special administrative entity that specializes in, for example, education, social overhead capital and police. Basically, the upper-tier autonomous bodies are, at present, carrying out the role of constraining the direct intrusion of the central government to the local government operation. If there were nothing but lower-tier bodies, i. e., single-tier system, the tendency of the authority and function converging toward the central government would be hardly controllable. There seems to be a hidden motive for

the control-oriented bureaucrats in the central government to remove the upper-tier governments in order to directly control the lower-tier governments. Some national assemblymen also harbor the same single-tier local government system in the name of efficiency. But it seems hardly disputable that the national politicians have the motive of strong central control of local politicians. The upper-tier local governments also serve to promote balanced regional development. They should be able to extend help to financially and administratively weaker lower-tier localities for a while.

Distribution of Government Functions

Bureaucratic politics in the process of decentralizing involves central control versus local autonomy in dealing with the administrative affairs. Especially the ministries in central government, including the central-oriented Ministry of Home Affairs, in the central government have been wet in the long history of patrimonial-bureaucratic governance. The bureaucrats in those ministries still believe that small country such as Korea should be run efficiently by the central government with little local discretion: they believe the local administrative entities are only the administrative arenas of the central government ministries. However, the local bureaucrats are complains of direct and frequent control by the ministries of the central government. They blame the central bureaucrats are never attempting to understand unique local conditions they face. The central bureaucrats ask too many reports and there are so frequent inspections and auditing. Regulation and intervention from the central government hinders emergence of creative administration by local governments.

It is true that there is no single model of successful decentralization. Success is relative to time, place and people. The central-local relationship involves redistribution of governments. As Rhodes appropriately points the popular model of central-local relations as "partnership" or "agency" is inadequate. It is "a complex system of dependence." The perception of the relationship held by the each relevant parties should be changed and begin to understand the complexity it has.⁽⁶⁾

Functions are assigned on the basis of two principles: (1) the appropriateness of an authority for a particular task and (2) the capability of local governments needed in carrying out particularly task. Local governments argue that many tasks carried out by the central government should be handed over to localities because the nature of tasks should be approached diversely by local perspectives and standards. In addition, they do maintain that their capability is never low. However, the central government argues that the local governments are not equipped with good personnel and their past performance was very poor.

The administrative business handled by local governments basically consists of two categories: (1) uniquely local matters by its nature and (2) the delegated tasks which are undertaken on behalf of the central government. The former includes street cleaning, public water supply, fire service, refuse collection, and so on. The latter includes election management, forestation, transportation planning, and so on.

Those delegated tasks are again distributed between the upper-tier local governments and lower-tier local governments. Although there are several clauses, which stipulate the distribution of functions among levels of governments in the Local Autonomy Law and its enforcement ordinance, it is not always clear-cut. Especially the line between the upper-tier and the lower-tier local government is very obscure. And there are no established principles like "Home Rule" or "Dillon's Rule." And the court had not paid due attention to the matter. The Korean local government operates under more severe conditions than the condition of the doctrine of "ultra vires" has brought up which is held in the Great Britain.⁽⁷⁾

The delegated tasks to localities can be again divided into two categories: those delegated by government agencies to the heads of localities and those entrusted to the local authorities as legal entities. In most cases, the administrative responsibility of carrying out provisions of various laws has been entrusted to the heads of upper-tier local governments. And the minor responsibility of carrying out many tasks can be again delegated to the heads of lower-tier local governments.

In theory, the financial resources needed in carrying out these delegated tasks should be met, i. e. transferred, entirely by the central government to relevant level of local governments. It is often the reality that the heads of local governments are responsible for certain matters but their authority and financial resources are of limited. According to the latest data available, the largest portion of delegated works originates from the Ministry of Transportation and the Ministry of Construction (these two are merged into the Ministry of Construction and Transportation (MOCT) in 1995). The Ministry of Agriculture and the Ministry of Trade and Industry follows the MOCT. Although several financial adjustments have been made through subsidies such as local transfer tax, it is not based on the analysis of costs needed in carrying out specific tasks delegated.

In 1994, the Ministry of Government Administration released statistical data on the tasks handled by the central government and local governments. The total number of national government-level task was 11,744, or 75 percent of all government work. There were 1,920 cases, or 12 percent, delegated to local governments. The local government in turn had their own tasks numbering 2,110, or 13 percent.⁽⁸⁾ Of national level-tasks, 3,703, or 32 percent, were for planning, while the rest (68 percent) were for implementation.

Table 2 : The Distribution of Government Task

(Year: December 1993)

Total	National	Delegated	Local
15,744	11,744	1,920	2,110
(100%)	(74%)	(12%)	(13%)

Source: Handbook on National-Local Affairs, The Ministry of Government Administration, 1994

The above distribution reflects several years' efforts made by the Ministry of Government Administration that has carried out the job of transferring the national functions to localities. There is a Deliberative Committee on Transferring Functions

to Localities (DCTFL) in the governments. DCFTL is a deliberative body, composed of scholar's government officers from the ministries of central government and related local governments. The committee decides which functions under consideration go to the next stage of legal amendment in the National Assembly. The bureaucrats in central government vehemently resist the transfer⁽⁹⁾ of government tasks for the fear of losing their power. They tend to presume the redistribution of the government responsibility as power game. It is quite clear that responsibility is the other side of authority. The more responsibility the more staffs and budget.

In addition, the bureaucrats in the central government are very dubious of the ability of local bureaucrats. Not a few local bureaucrats confess they do not have capability or expertise's to handle a certain task effectively in the Deliberative Committee. So the relationship between the central government and local governments was not so much strained in the 1980s. However, the situation has been changed in the mid-1990s. Local bureaucrats began to raise their voice and complain unrealistic control of the central government, especially the Ministry of Home Affairs, expecting local politicians backing up their arguments.

The new government established the AIC (Administrative Innovative Commission) in 1993. Most reform issues have been related to deregulation and decentralization.⁽¹⁰⁾ Redistribution of the government responsibility between the central and local governments has been one of major issues handled in the AIC. A large number of related tasks are raised for resolution in the Commission. Many issues out of them are under study and diverse groups and agencies are actively working to bring their views to consideration.

Table 3 : Decision of DCTFL

Year	Items on the Agenda	Transferred	Under Consideration
1991	398 (100%)	241 (46.7%)	157 (39.4%)
1992	245 (100%)	115 (46.9%)	130 (53.1%)
1993	185 (100%)	116 (62.7%)	69 (37.3%)
1994	1,122 (100%)	449 (40.0%)	673 (60.0%)
1995	284 (100%)	123 (43.4%)	161 (56.7%)

Source: Documents, The Ministry of Government Administration, 1996.

As can be seen from the above table 3, government functions that were carried out by the ministries of the central government were continuously transferred to the local governments. So the present statistics of the allocation of governmental function may be different from the statistics in Table 2, a little bit of the total government works was additionally transferred to the local governments after 1994.

Within the local government, tasks that are classified as local can be again divided into three categories: inherently local tasks, delegated from the central government to the local authority itself, and delegated from the central government to the head of local authority. The portion of each category of tasks is different among different local governments. The following table 4 shows several cases of task attri-

Table 4 : The Distribution of Tasks Carried Out by Local Government

Local Authority	Inherently Local	Delegated to Authority	Delegated to Head
Seoul Metrop. ('94)	Both 4,562 (70.0%)		1,959 (30.0%)
All Districts in Seoul	Both 1945 (49.4%)		1,993 (50.6%)
Pusan Metrop. ('92)	1,195 (47.4%)	318 (12.6%)	1,007 (40.0%)
Buk District in Pusan	548 (37.4%)	102 (6.9%)	814 (55.6%)
Taejun Metrop. ('95)	Both 1,574 (64.2%)		876 (35.8%)
All Districts in Taejun ('95)	Both 639 (38.5%)		1,019 (61.5%)
Kyungbook Prov. ('95)	3,719 (64.9%)	249 (4.3%)	1,756 (30.8%)
All Cities and Counties in Kyungbook Prov. ('95)	2,639 (48.3%)	436 (8.0%)	2,394 (43.7%)
Kyungnam Prov. ('92)	1,073 (46.3%)	272 (11.7%)	974 (42.0%)
Kimhai City ('92)	654 (41.1%)	98 (6.2%)	838 (52.7%)
Yangsang County ('92)	590 (39.8%)	228 (15.4%)	666 (44.8%)

Sources: Documents from Relevant Local Governments.

bute within each local government.

As can be seen in the above table 4, the portion of inherent local tasks composes less than half except the Kyungbook-Do Province. A large portion of the tasks carried out by the local governments is the task which were delegated to the heads of the local authorities. Before local self-governance system was introduced again in 1995, the heads of all local entities were appointed by the hand of the President. So the people in the central government believed that delegation of government tasks to the heads of local entities would be a guaranteed mechanism for efficient implementation. That is why a large portion of the tasks carried out by the local governments is classified as "delegated to the head of local governments." Also, the distinction between each group of tasks is not clear, there are confusions, duplications, and inefficiencies with the governments. Some authorities are lack of due responsibility because of this confusion.

Another report made by the Ministry of Home Affairs showed its analysis on the distribution of administrative tasks among the three tiers of governments: their analysis was focused on the administrative aspects not the legal and regulative aspects. They tried to count each independent administrative task considering the weight or importance of the task. They even considered the human and financial resources needed in carrying out a specific task. Their finding shows different distribution of government tasks among the three tiers of governments from the data made by the Ministry of General Administration: The central government carries out 40% of total government tasks in terms of number of task; the upper tier local government 26%; and the lower-tier government 34%. Although the analysis should be improved more in order to get the objective data, the figures show that the resources

needed in the local governments should be more than 60%.

Financial Arrangement

Opinions are sharply divided on the ways of strengthening local government finance. The central government believes that there has to be a certain limit to financial resources used by local governments. This view is based on the fact that local governments already use approximately 55% of the nation's public financial resources. The local authorities compete for more subsidies and grants, which are limited in its nature. And central government tries to reduce the scale of resource utilized by local authorities.

The local tax is composed of 15 different taxes. It is again classified into 6 provincial taxes, and 9 city (district) taxes.

The following table 5 shows the trend of local tax collected.

Table 5 : Trend of Local Tax Collected

(Unit: Millions, Won)

Year		1989	1990	1991	1992	1993	1994	1995
Local Tax	Total	49,608	63,674	80,951	94,622	110,261	132,309	153,160
	Increase Rate (%)	100	128	161	191	222	267	309
Domestic Tax	Total	152,084	191,302	240,891	300,800	341,745	384,490	443,820
	Increase Rate (%)	100	126	158	198	225	253	292
GNP	Total	1,479,416	1,782,621	2,142,399	2,387,046	2,655,179	3,307,726	3,482,843
	Increase Rate (%)	100	120	149	161	179	205	235

Source: Local Tax Statistics Yearbook, the Ministry of Home Affairs, 1996.

As can be seen from the above the share of the local tax has increased more rapidly compared to the domestic tax or the GNP increase. The share of national tax out of GNP has continually increased from 14.3% in 1989 to 16.3% in 1995. And the share of local tax has risen from 3.4% to 4.4% in 1995.

Local financial resources are composed of diverse revenues: local tax collected, transferred resources from the central government, about 400 sorts of various user charges, and local debt financing. For example, in 1995, the general account, excluding the special account, of all local governments is composed of local tax collected 34.9%, appointed resources 5.2%, non-tax revenue (various user charges) 16.0%, local-share tax 14.2%, local tax transfers 5.0%, control grants 3.7%, and subsidies 21.0%.

Decentralization advocates assert that local financial resources should be expanded so that balanced development can be achieved throughout the nation. They

also point out that a massive central-to-local transfer of government workload has already taken place. Therefore, they argue, more local taxes should be levied in lieu of national taxes and that the system of allocating tax revenues should be reviewed and adjusted to meet the needs of each local government.

The following table 6 shows distribution of financial resource between the central government and the local governments.

Table 6 : Distribution of Financial Resources

(Unit: %)

		Federal System			Unitary System		
		USA	German	Australia	Japan	France	Korea
Revenue	National	67.7	71.3	76.6	74.7	90.5	78.1
	State & Local	32.3	28.7	23.4	25.3	9.5	21.9
Expenditure	National	68.5	780.1	52.0	39.0	82.4	49.5
	State & Local	31.5	29.9	48.0	61.0	17.6	50.5

Revenue Data: 1993, Expenditure Data: 1990

Sources: IMF, Government Finance Statistics Yearbook, 1992

OECD, Revenue Statistics of OECD Member Countries: 1965-1993, 1994.

However, the questions raised by the debate cannot be answered properly without a comprehensive analysis. The distribution of potential financial resources is currently uneven. If national taxes are replaced by local taxes under these circumstances, some metropolitan areas with strong tax bases will wind up with a preponderant amount of tax revenue, while, the local governments of weaker areas will be badly shaken.

In a comparative sense, based on the figures in the above table, it is hardly justifiable that the Korean local government has limited autonomy and resources. The expenditure portion of the local government in Korea is the second largest one. So it is evident that the local governments carry out a large share of public service in Korea. But the decentralization advocates argue that the central government regulates the budgetary process through detailed provisions of thick guidebook and the money transferred from the central government has many strict strings that should be followed. And the Board of Audit and Inspection and several agencies above the relevant local government legally accompanies stern interim as well as *ex post facto* audit and inspection.

Under the current system, the finances of local autonomous bodies are supplemented with tax, transfers and subsidies from the central government. These channels are supposed to complement each other, but in reality there are doubts as to whether they are producing the desired results.

New local transfer tax (i. e., block grants-in-aids) was additionally introduced in 1991 to promote even regional development. The local transfer tax has been used in the following five areas: road construction and maintenance, environmental manage-

ment, rural development, and etc. Although these funds were helpful in increasing the pie of local financial resources out of total public financial resources, the localities, with the help of the Ministry of Home Affairs, still argue to expand their share by enlarging the size and portion of the Financial Coordination Scheme, which funnels the government financial resources from the central government to local government.

There are many skeptics who doubt whether local governments will have access to the administrative talents and financial resources essential to run the affairs of the country in truly decentralized way. Skepticism concerns first the lack of expertise among local office holders, which grows in conjunction with the low degree of financial self-sufficiency. This skepticism seeks to justify the guardianship provided by the central government. In fact, there are serious weaknesses in the financial management competence of local government officials. The average age of civil workers is well advanced, and most employees are low-echelon workers. Sixty-five percent received a high school education or less.

The local governments face tough problems in their pursuits of financial self-efficiency. A clear statistical picture of the situations is unavailable because of a series of recent urban-rural mergers, but it is estimated that roughly half of the countries cannot meet their payrolls with their own revenues, although, in terms of population, these counties represent less than three million people.

Efforts should be made to attacks the existing problems in the system so that local administration can be made more efficient. In the meantime, aggressive reform measures must be taken to drive out chronic corruption and irregularities. One of the main issues is how much the portion of domestic tax collected can be enlarged from the present portion of 13.27%. A critical review find out that the share of the total transferred resources from the central government to local governments has not been enlarged even though the new local transfer tax of financial coordination system was introduced in 1991.

However, after the election of local representatives, including mayors and governors, it has been evident that those locally elected elites have competed for the additional financial resources from the upper governments. Majority of local governments changed their fund depositories for higher rate of interests. Nevertheless the way of financial resources management is hardy improving. Too frequent extravagant events have been planned and carried out without any lasting effects. Many of these events have been introduced to put up a good front, which is one of the cost-efficient and legally protected campaign tools for the incumbents.

When we look into the expenditure in the general account, it can be classified into 8 different categories: local council 0.6%, general administration 19.7%, social welfare 14.7%, industry and economy 16.9%, regional development 29.6%, culture and physical education 5.9%, civil defense 1.6%, and support and others 11%. The share of each item is diverse among different local governments. The share of general administration should be reduced further. And the portion of social welfare, which is far below than those of advanced countries, should be enlarged continuously.

Concluding Remarks

Two years of experiences may be too short for the balanced evaluation of a newly introduced politico-administrative system, such as local self-governance system in Korea. Institutional rearrangements related with the introduction of local self-government system have been aimed for expanded self-rule and more efficient local government management. But as mentioned in the text, the real outcome of such rearrangement may require a lot of time

In addition, for the extended local democracy and self-rule, additional of steps should be taken. First, politicians engaged in national politics should stop treating local politics as a second-string affair. They should instead treat local politics as an integral part of a national partnership. Korea is entering an era of decentralization in which voters' control over political affairs will be unavoidably and frequently exercised through scheduled elections. For the time being, there may be some confusion accompanying the transition, but this should be accepted as the necessary costs for bringing forth mature democracy. Public opinion, news media and civic organizations, which constitute an environment for political players, should be vigilant and offer criticism for the benefit of helping the expanded local autonomy system get established speedily.

Local politicians, on the other hand, should no longer be dependent on national politics. They should stress the independence and self-reliance of localities. It is wrong to presume that a harmonious management of the country as a whole is possible only when the localities maintain their current status of rigid subordinates to central authority. Harmonious management can be attained even while localities maintain a degree of tension and contention against the central authorities as they seek to expand their own interests.

It is unwise to discuss central-local relations only in terms of conflict versus cooperation. As these relations evolve, they are bound to reveal extremely complex facets. Conflict will just be one of many aspects to the relationship. Virtually, it would not make sense to expect political and administrative progress without conflict among partisans to a certain extent. The question is whether these conflicts will be destructive or they can be converted into cooperative tension and competitive complementation. National politicians and the central government should provide mature responses to these conflicts so that any confrontation can be converted into creative strain.

Second, structural changes involving boundary amalgamation should be carried out based on the desire of residents. The main justification for wider territory of local government was the functional ideology, the assumption that the efficient and effective provision of local services required larger constituencies and bigger administrative departments in order to avoid spillovers and profit from scale economies.⁽¹¹⁾ But as mentioned above, it is hardly justifiable to result in technical economies without mentioning the expansion of local democracy. Boundary adjustment should be carried out more cautiously. But the administrative tiers should be removed.

Transfer of functions toward lower-level government should be carried out further. When a government task is transferred toward lower-level governments, it should be accompanied with the related resources at the same time. Task delegation without resources needed including manpower and fund, will hamper enlarging the local government capacity. Before discussing any new legal or institutional measures, a comprehensive analysis of cost accounting for specific task should be done. Based on the information and data from the analysis, functional redistribution as well as financial rearrangement can be scientifically done.

Last, there should be further internal reforms within individual local government. The majority of the local governments hoisted the flag of efficient and democratic local administration. But the flag is fluttering in the winds of placards and flowery eloquence. It is true that there are a variety of plans for innovations and reforms. And some of the results of those new efforts seem to be realized soon. Many observers appreciate their new efforts with troubled minds. They should not ask more time for substantive fruits of the expanding local autonomy. Ordinary peoples are whimsical.

Note & References

- (1) The election of local councils was held in 1991 during the Rho administration.
- (2) James Cotton, "From Authoritarianism to Democracy in South Korea," *Political Studies* XXXVII (1989), pp. 244-259.
- (3) Robin Hambleton, "Consumerism, Decentralization and Local Democracy," *Public Administration*, Vol. 66 (Summer 1988), pp. 125-147.
- (4) B. C. Smith (1985), *Decentralization: The Territorial Dimension of the State* (London: George Allen and Unwin), pp. 18-20.
- (5) About 80,000 public employees are working at the lower administrative level and their wage reaches as high as \$9 billion, which is almost equivalent to the total budget of 9 Provincial Governments.
- (6) R. A. W. Rhodes (1981), *Control and Power in Central-Local Relations* (Adershot, Hants: Grower) and (1979) *"Research into Central-Local Relations in Britain" in Center-Local Government Relationships* (London: Social Science Research Council).
- (7) Michael Goldsmith (1992), *Urban Politics and Policy: A Comparative Approach*. (Oxford: Blackwell Publishers), pp. 69-74.
- (8) It should be kept in mind that figures often fail to reflect the different weight and importance of task handled. Relevant laws and their enforcement ordinances have formed the numbers. Therefore their analysis is different from the analysis done by the Ministry of Home Affairs based on needed resources.
- (9) The term "transfer" of government functions or tasks has virtually different meanings in the context of the Korean legal system. One is fundamental dislocation of government business from the central government to the local governments. In this case the transferred task becomes local government's own task. The other is provisional transfer of the tasks to the local governments but the central government can intervene anytime she feels to. We use the term in the former sense.
- (10) Bun Woong Kim and Pan Suk Kim (1997), *Korean Public Administration* (Elizabeth, N. J., Hollym), pp. 107-110.
- (11) Bruno Dente, "Local Government Reform and Legitimacy," in Bruno Dente and Francesco Kjellberg (Eds.), (1988), *The Dynamics of Institutional Change* (London: Sage Publications), p. 178.