

# Policy Conflict and its Settlement in Korea: The Case of Regulatory Reform\*

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## I. Research question and strategy

Policy making can be defined as the specification of policy content, a set of policy goals and instruments. This specification can be made through two stages: position taking and coordination.

Usually due to their interests and values, major policy actors in the policy making process have not only concern for the content of the policy to be made but also some ideas and preference for it. They internally transform these ideas and preferences into their policy positions, and then push their positions externally against other incompatible positions.

When policy actors push different policy positions from somewhat independent power bases, policy conflict ensues. Coordination among them is needed. The outcome of policy coordination can not always be the same as each actor intends. Original policy content can be maintained, or partially deleted from or added to, or changed into completely new one, or evaporated into the air. More than two policy positions can be coordinated in integrative or distributive fashion.<sup>1)</sup>

Policy conflict in Korea is recurrent between departments, between the ruling and the opposition parties in the legislature, and between the ruling party and the government. Diverse ideas, interests, and values are channeled in the form of policy positions to these three coordination points. Thus, knowledge about the behavior and outcome in three points of institutional cleavage is essential in understanding the policy making process in Korea. The policy conflict and coordination between the ruling party and the government bureaucracies is of special interest here. It is a primary, but not unique, point through which political logic and bureaucratic logic are channeled. More importantly, the ruling party and the government often have a

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high conflict over critical issues. Finally, the ruling party-government policy coordination is a kind of important strategic clearance point.<sup>2)</sup>

This study attempts to explore the mechanism through and conditions under which the ruling party or the government is successful or unsuccessful in pushing its policy position against each other. What factors affect influence in policy conflict between the ruling party and the government? How do these factors interact to result in policy influence?

To answer these questions, this study tries to uncover empirically grounded concepts and framework for explanation. For this relies on Exploratory case study method is used because it helps carve a tentative theoretical construct in areas where no theory exists yet. Two cases of regulatory reform policies are selected: (1) Regulation of Upper Limit of a Housing Lot and Extra-profits from Land Development and its Holding; (2) Regulation of Fictitious Names in the Trade of Financial Assets. These two cases were controversial and salient issues enough to illustrate the nature of conflict settlement between the ruling party and the government. Also, both cases are comparable: similar in a number of important characteristics, but dissimilar with regard to variables between which a relationship will be established.

For more trustworthy and comprehensive data collection, originally the interview was targeted at all participants on both ruling party and the government sides who participated in the policy conflict and settlement process. But because of the difficulty of access, a few high-level important persons could not be contacted.<sup>3)</sup> Actually interviews took place with 39 persons, primarily the occupants of relevant positions in the ruling party, the government, and the presidential office when the issues were at stake, and, secondarily, some observers of these controversial policy making process. For analysis of data, 'within-case' method was used together with 'cross-case' method in original study. But cross-case analysis is presented here. Also, the 'process-tracing' method was utilized, rather than 'congruence' method. Chronology, backward tracing, and rival explanations were utilized to infer causal patterns. For the validity of findings, member check and debriefing were conducted cautiously.

## **II. The description of policy conflict and settlement**

### **1.Regulation of Upper Limit of a Housing Lot and Extraprofits from Land Development and its Holding (Case 1)**

**Background:** Since Korea's rapid industrialization and urbanization during the last two decades, the problem of land price and distribution has risen to the forefront of the policy agenda. The price increase of land has by far exceeded other economic indicators. Consequent land speculation exerted baneful influences on national economy: the suffocation of land supply to indispensable demands for houses,

factories, and public facilities; an unreasonable burden to these demanders due to the geometric increase of land price: an extremely skewed distribution of ownership of high-priced land, which deteriorated wealth distribution between social classes.

The cyclical and frenzied increase of land and housing prices has led to a national consensus that 'something should be done about the land problem.' The ruling party and the government agreed on the basic need to regulate land speculation and price increase, but disagreed fiercely on policy instruments. Policy instruments adopted in the government's new proposal were: strengthening the levy of extra profits from land development projects; setting the upper limit on housing lots; and taxing extra-profits coming from the increase of land price beyond a normal level. The latter two were innovative tools newly attempted. To these policy instruments was the ruling party opposed. The ruling party preferred an incremental approach to the innovative one. It claimed that the government's policy instruments should be loosened or replaced by a mixture of the comprehensive land tax, the transfer income tax, and the readjustment of bases of taxation.

The ruling party and the government struggled with each other for about five months. According to the agreement on September 11 between them, the original content of the government's bill was modified a little bit without hurting the basic frame of regulation.

**Process of policy conflict and coordination:** With the beginning of political democratization in 1988, the past under-privileged social groups raised up their voices and the public mood for economic democratization or equity began to spread rapidly. In this situation, MOC bureaucrats (the Ministry of Construction) advocated the regulation of housing lots and extra-profits from land development. But EPB bureaucrats (Economic Planning Board) questioned its political feasibility and advised MOC bureaucrats to postpone pushing the idea. Only the EPB vice-minister supported this idea.

In the summer of 1988, the DPM (Deputy Prime Minister = EPB minister) worried seriously about land speculation, and committed himself to the solution of it. He consulted with the MOC minister and the presidential chief economic secretary. The MOC minister advocated his subordinates' innovative idea. But the chief presidential economic secretary favored the integration of four different systems of land pricing and the introduction of the Comprehensive Land Tax. The DPM reported both ideas to the president. The president supported both ideas. Immediately thereafter, the EPB announced comprehensive government measures to eradicate land speculation, which include the strengthening of existing arrangements and the introduction of new regulations. The 'Research Team for Regulation of Land as a Public Good' was launched to study new regulations.

In December 1988, the government was reshuffled. A university professor of economics was directly appointed to the DPM and the EPB vice-minister was transferred

to the chief presidential economic secretary. New key members, especially the DPM and the chief presidential economic secretary, announced their advocacy for land regulation reform.

As the outline of policy recommendations was made by the research team in early April, 1989, the MOC minister met the CPA chairman of the ruling party (Council of Policy Affairs) for consultation. The chairman rejected these options on the spot. In the face of anticipated opposition, the government took two strategic actions. First, the DPM asked the president to make clear his policy position on economic reforms. And the government decided to boost up and win public opinion in order to prevent the possible opposition.

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

As the government legislative bills were drafted, the conflict of interests emerged from under the surface. In the ruling party, some members expressed their support for popular government bills, whereas the others opposed the government bill. A group of scholars and intellectuals claimed that the government bills should be strengthened. In the Constitutional Court, scholars of public laws debated against scholars of private laws about the constitutionality of the housing lot limit. The Federation of Business Industries and the Chamber of Commerce openly operated their task forces not only to develop the logic of opposition, but also to prevent influential persons from actively advocating the government bill. But the Association of Banks and the Central Committee of Small Businesses welcomed the government regulatory bill.

After the government drafts were publicly announced on July 11, they were formally sent to the ruling party for review. In the Division of Construction and Divisional Coordination Meeting with the government, a majority of party members were opposed to the government bills. They insisted that the limit of housing lots should be lifted and the 'extra-profit tax of land' should be replaced by the 'Comprehensive Land Tax' already enacted in May, 1989. In early August, two party officials and two outside experts examined the government bills for a week and reported preliminary outputs to the Party Representative, who was the chairman of the top party decisionmaking organ, the Central Executive Committee. On August 11, the Party Representative held a press conference and asserted that the govern-

ment bill could cause many difficulties in implementation. On August 15, the Secretary-General, the CPA chairman (Council of Policy Affairs), and the OPC vice-director (Office of Policy Coordination) began to support the opinion of the Party Representative.

Two days later, the Party Representative, the Secretary-General, the CPA chairman, and the OPC vice-director met the chief presidential economic secretary, a leading government advocate of the reform measures near the president. At this meeting, party officials stressed that the eradication of land speculation should be achieved within the limit of not condemning 'haves,' and that centralized socialistic reform ran counter to the process of democratization. Then, party officials reported their final study directly to the president.

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

At this time, three opposition parties, which had kept an wait-and-see attitude, began to make clear their policy positions.

The Policy Coordination Meeting<sup>4)</sup> of August 26 highlighted the policy conflict between the ruling party and the government. Both positions never converged. They diverged even more. After this breakdown of policy coordination, the ruling party again reported its opinion directly to the president and the chief presidential economic secretary again persuaded the president.

Embarrassed by the government's obstinacy, the ruling party became determined to reject the government bill instead of trying to reflect its opinion in it. To demonstrate its resolve, the ruling party set up a 'subcommittee for a review of government bills.' But no senior party leader dared to accept the leadership of this subcommittee because they thought that it could be detrimental to their reelection.

On September 5, the president called a Blue house meeting<sup>5)</sup> to conclude the controversial issue. The president sided with the government, saying that "...both sides should realize what the land regulation intends to achieve and be cautious not to impose a burden on the middle class..." After the Blue House meeting, the Party Representative announced the acceptance of the government bills. In the coordination meeting of September 9 between the CPA chairman and the OPC vice-director on the party side and the DPM and the chief presidential economic secretary, the presidential secretary suggested partial acceptance of the party position and got agreement from the party.

## **2. The Regulation of Fictitious Names in the Trade of Financial Assets (Case 2)**

**Background:** This financial regulation had two purposes. One is to identify real owners of hidden money in order to correct its negative effects. The other is to apply a Comprehensive Income Tax to large gains coming from the hidden money in order to realize the equity of tax burden. Allowing fictitious names brought about political and economic ills: political corruption, speculation in land and houses, inequity in tax burden,<sup>6)</sup> the efficiency of national economy caused by the concentration of national economic power in big business<sup>7)</sup> and the permanent family control of gigantic business conglomerates.<sup>8)</sup>

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

The idea of this financial regulation had not received much public attention until an incident of serious bill fraud propelled the financial market to the edge of breakdown in May, 1982, and drove into a corner President Chun's administration which had pledged to erect social justice. In the wake of this financial accident, a few government bureaucrats secretly prepared a measure to regulate the underground economy and announced it on July 3, 1982 as soon as they got the president's approval. In the face of the ruling party's opposition, the government enacted the financial regulation and postponed its implementation.

As the political regime began to democratize in 1988, eruptive demands for social equity stimulated the implementation of this program. The government planned in 1989 to implement the Law, starting in 1991, after modifying it to avoid negative effects on the economy. At the end of preparation, the effort to implement the Law was cancelled again after pressure from the ruling party.

**Process of policy conflict and coordination:** This financial regulation was a campaign issue committed by every candidate in 1987 presidential election and 1988 National Assemblymen election. In September, 1988, EPB vice-minister determined together with the directors-general to implement this financial regulation before 1991. This financial reform began to gain momentum from the government reshuffle of December, 1988, in which the reform-minded leaders were appointed to the EPB minister and chief presidential economic adviser. On taking office, they committed themselves to this financial reform. The government leaders repeatedly notified legislators of its implementation and explained to the people and the mass media the need for this regulation. In April, 1989, a research team called "Preparation Team for

Real Name Trade of Financial Assets,"<sup>9)</sup> was established within MOF.

As this regulatory reform was prepared for implementation step by step, the ruling party began to express its worries about the implementation of this Law. Unlike the party's commitment to it during election time, some party leaders, including new CPA chairman, thought that this regulation might hurt the interests of the ruling party's constituency.

In anticipation of opposition from the ruling party and the "haves," the new reform-oriented EPB minister and chief presidential economic adviser asked the president to express his economic philosophy and decided to sway public opinion. While the government effectively persuaded the president and the general public, the ruling party was cleft internally in its perspective on the financial regulation. The public debates got heated between social groups in July. When the leading proponents of institutional reforms in the government, especially EPB minister and chief presidential economic adviser, struggled with the leaders of the ruling party, the MOF minister began to release the anticipated difficulties in implanting new financial practice. Starting in the summer, big business conglomerates that had sold their stocks in a large scale began to operate secret task forces to study the experiences of foreign countries and develop scenarios for coping with the government measures that would be substantiated soon.

In the mid-October, the president announced in his speech for the new year's budget that he would turn to the financial regulation issue and decide on it after checking opinions and ideas about it. The ruling party and big business depressed by their failure to block the government land regulation policy, immediately launched their opposition more systematically. The ruling party also began to step up its criticisms of the overall economic management of the government economic team. But due to undeniably persuasive rationales and overwhelmingly favorable public opinion for the reformative regulation, the ruling party tried to weaken the content of the regulation through the OPC vice-director's informal contacts with the MOF. Big businesses tried to lobby influential actors at strategic points to influence public opinion and presidential decision. To this increasing opposition in late 1989, MOF bureaucrats asked their minister to reveal the draft proposal in order to sweep aside exaggerated worries among people and to preempt opposition forces by reducing the reasons for opposition. But the MOF minister rejected this strategy. He thought that financial regulation should not be hurried or pushed in a radical way. Since he did not have the confidence to repel this opposition, he would not be assertive for the reform policy and wanted to identify the president's intention.

In the face of economic and export recession in the fourth quarter of the year, the CPA chairman asked the government to take comprehensive measures for the stimulation of economic growth and investment. The business community complained about the EPB minister's ignorance of the business world. Rejecting the the ruling

party's request, the government considered selective financial and tax assistance to the manufacturing industries which suffered from labor disputes. But in November, the government changed its original position and took a partial measure to boost the economy, including the lowering of interest rate and the expansion of money supply. In December, the government (MOF) took another measure to halt declining stock prices. The government mobilized five trillion Won to purchase stocks on a large scale.

Toward the end of the year, the president summoned three key policy actors and asked them seriously what to do for this financial regulation. They had different opinions. The EPB minister argued for instituting the regulation in spite of some negative effects. On the contrary, the CPA chairman of the ruling party opposed this regulation. The MOF minister wanted to institute reform in a loosened format. The president's will began to weaken. He wanted to wait and see the trend of situation, seeking more consultations before making a final decision.

In his New Year Address on January 10, 1990, the president committed himself to a step-by-step approach to this financial regulation. One week later, the president asked the EPB minister and chief presidential economic adviser to take a cautious approach to the financial regulation. Encouraged by this statement, the MOF began to fix the details of financial regulation. So far, the MOF minister wanted to identify the president's intention, hesitating between the expected negative consequences and the undeniable rationale of the regulation, and releasing bit by bit the policy options the MOF was considering. Now he thought his incremental approach was accepted by the president.

The ruling party also concentrated its effort on reducing the negative consequences of this financial regulation in tune with the president's intentions. The CPA chairman said that financial regulation would be instituted as scheduled, but it would be done incrementally after the elements that might be accompanied with economic shock were removed. The OPC vicedirector suggested a few alternatives which were similar to those of the MOF. The policy positions of the party and the government were converging in January. The incremental approach began to dominate the policy community.

As the president's commitment began to waiver in the late December, 1989, the ruling party set under the leadership of CPA chairman 10 tasks for the party to push in 1990. The activation of the economy was given a top priority, while the economic reforms were dropped. The CPA chairman announced them on January 4, 1990, and then began to spread his ideas. The CPA chairman inserted five urgent problems in the president's New Year Messages. In a Central Executive Committee meeting and the Party Policy Seminar, he emphasized the activation of the economy and 'new policy instruments for a new situation' and 'policy instruments congruent with the capitalistic economic order.' The CPA chairman successfully persuaded the newly



appointed Party Representative who was familiar with business community. On January 19, the policy coordination meeting was held between party leaders and government leaders to discuss the policy direction for a new year. The CPA chairman and the EPB minister collided again. The CPA chairman pushed the government to concentrate on the activation of the economy and the solution to five urgent problems, emphasizing a short-term and non discriminatory strategy. But the EPB minister refused these requests, stressing the middle- or long-term and selective strategy. He insisted on economic stability and institutional reforms.

On January 25, immediately after the merge of two opposition parties into the ruling party was announced, the Party Representative asserted openly that government reform policies should not be pushed in a hurry, arguing that they were problematic in timing and substance. The Secretary-General, the chairman of National Assemblymen Meeting, and the CPA chairman began to support his claim. Furthermore, they began to complain about the government economic team by asserting that the team's policy actions were ineffective and poorly timed and that its policy failures aggravated the economic situation. To this orchestrated objection, the ministers of MOF and EPB only repeated that they could not delay implementing the financial regulation.

After the challenge to the regulation issue on January 25, policy leaders of the ruling party concentrated efforts on implanting their policy line of economic growth, which would be detrimental to the regulation issue, in the newly merged party. In this process, the ruling party succeeded in moving the financial regulation to the bottom of the priority list. Up to then, the three parties to be merged had no internal consensus on this financial regulation. If they discussed this sensitive issue, they could not evade both intraparty and interparty conflicts. Therefore, without consultation or discussion, the CPA chairman of the ruling party appealed directly to the president and mobilized a friend from big business who had influence with the president, to change the president's commitment.

On March 3, the chief presidential economic adviser, a leading advocate of economic reforms around the president, was ousted. On March 17, the EPB minister was replaced by the CPA chairman of the ruling party, who was a leading opponent of the government economic reforms and an architect of policy change into economic growth. The MOF minister was replaced by a chief of the Stock Inspection Agency who was a more conservative former MOF bureaucrat. The president's informal economic adviser, a leading opponent of economic reforms around the president, was appointed as a chief presidential economic adviser. The new EPB minister told reporters that economic growth should be a top priority although the government was in a position of pursuing economic stability, economic equity, and growth. He added that he economic stability, economic equity, and growth. He added that he would postpone this financial regulation if it would be an obstacle to economic

growth.

Sensing that the regulation might be aborted by the replacement of a chief presidential economic adviser, the MOF bureaucrats issued bold exceptions several times to relieve worries and opposition, and then tried to persuade the new MOF minister and leading members of the Federation of Business Industries. Although Federation of Business Industries accepted a weakened version of the regulation, the new MOF minister rejected it firmly.

In the policy coordination meeting held on March 23, new government economic team and new policy leaders of the party agreed to put off instituting the regulation of fictitious names in financial trade indefinitely. This agreement was reached in the midst of protests from one faction of the ruling party, one remaining opposition party, and the majority of public opinion.

### **III. Analysis**

#### **1. Cross-case Analysis**

(1) How is the conflict settled ?

In two regulatory cases, the policy conflict between the ruling party and the government ended up with the president's intervention. Both sides did not reduce the position gap between themselves. The party and the government concentrated their efforts to pull the president to their side. Policy coordination progresses only after the president's commitment was made explicit. From these facts, it can be inferred that the president's commitment was decisive to the fate of the policy conflict. In case 2, the party shook the president's original commitment and pulled him to its side, while the party failed to do so in case 1. As a result, the party position could be carried through in case 2 and could not be reflected as intended in case 1.

The president's intervention was a kind of arbitration in nature. The arbitration is a final decision made by a third party on the dispute. The president's arbitration was not a simple passive reflection of majority opinion or his trustee's recommendation. It was the outcome of his thoughtful judgement. For example, after consideration of the arguments of both camps, he integrated one attractive argument of the ruling party into the government position in case 1, and changed his commitment through a middle point between both positions finally to the party position in case 2. To decide his final commitment between positions in conflict, he always checked with a third party for more information and opinions. He paid attention primarily to public opinion in case 1, and his informal trustees in case 2. Thus, conflict settlement between the ruling party and the government can be understood as "the president's arbitration judgement on two competing positions."

Can any other mechanism be seen in these cases? One can consider the concept of

'coalition,' which is defined as "a combination of political forces, temporary in nature and for some specific objectives."<sup>10</sup> The outcome of policy conflict is determined by a winning coalition. If the winning coalition is a majority coalition, this mechanism can explain the conflict resolution in case 1. The government aligned an overwhelming public majority for its position and won the game, whereas the ruling party failed to mobilize a majority and lost the game. But a majority winning coalition cannot explain the conflict resolution in case 2. The ruling party won the game even though it was in a minority in a national setting.

If the winning coalition is a presidential coalition, where the outcome is determined by a coalition which includes the president regardless of its size, it can seemingly explain both cases. In case 1, the government's winning majority included the president. In case 2, the ruling party's winning minority embraced him. But the concept 'coalition' connotes the effort to draw in other actors for sharing benefits. In neither case 1 nor case 2, was the winning coalition formed with this intentional effort and shared interest. In case 1, the winning majority was composed of the EPB, the Moc, the president's economic secretarial office, diverse public and private interest groups, and the public. The government members did not contact social groups to pull them in. They diffused their arguments for support and 'aligned' supporters toward the president. In case 2, the winning coalition included the ruling party, business interest groups, the president's informal advisory group, and the presidential staffs. The ruling party communicated with big business groups and some members of the president's informal advisory group and staffs. But they did not join the coalition for the same interests.

In any event, 'coalition' is not sufficient to conceptualize the mechanism of conflict settlement. A complex concept—"the president's arbitration judgement"—seems more relevant to describe and analyze the conflict resolution mechanism.

(2) How the ruling party or the government pulled the president to its side? Why the president favored the government in case 1 and sided with the ruling party in case 2?

In these two cases, the ruling party and the government took many strategic actions in order to influence the president's judgment. These actions can be categorized into issue manipulation and political mobilization.

One way of issue manipulation was to toss up diverse theories and arguments about important facets of the regulation issue at stake. Examples in case 1 were 'a theory of revolution,' 'a theory of middle class damage,' 'a theory of unconstitutionality' and other rationales. The essence of these theories and arguments was to establish causal paths between policy issues in a vivid and brief way. This causality is claimed, not verified, at the time of issue connection. Thus, the act of establishing causality between issues can be defined as 'issue attribution.' Causality is not traced to all relevant phenomena, but to phenomena ruling party or the government

bureaucracy needed to construct in the president's mind a clear image of the relation of their policy positions to his historic goals. This job was done through issue attribution.

The other way of issue manipulation was to push the focal issue together with or separately from other related issue. In case 1, the government dropped the issue of 'the realization of a standard tax base' from the land regulation issue in order to reduce the president's worry caused by the ruling party's theory of middle class damage. It was because the negative impact of the land regulation could be amplified when the regulation is joined with the realization of a standard tax base. In case 2, the ruling party packed financial regulation with the overall economic policy direction issue in order to smoothly wash away the regulation, because the financial regulation could be hurt if it was pushed together with the economic growth policy which was being increasingly applauded. This drop and packing together was manipulation of issue relation can be called as 'issue coupling or uncoupling.'

These issue attribution and issue coupling/uncoupling can be identified as two strategies of issue manipulation. Both concepts can be integrated into a concept of 'issue association.'

The relation of associated issues was not sufficiently backed up by objective data to draw the president's commitment. To consolidate the trustworthiness of their arguments targeted at the president, the government mobilized public opinion, and showed internal coherence, whereas the ruling party mobilized people trusted by the president, built distrust of the government economic team, and showed internal coherence.

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

The trustworthiness was conferred on each association of issues by the president according to the kind and amount of support mobilized behind it. Each association of issues had the power to pull in the president's commitment. 'Power to pull in' can be termed valence.' An 'act of assigning valence to a policy position or causal path' ('valencing') can be understood as a strategy to pull in the president's commitment. Majority valencing is defined as a strategy of building the trustworthiness of a policy position through majority mobilization, and confidence valencing is defined as a strategy of providing the trustworthiness through confidence mobilization.

(3) When the ruling party linked land regulation to a constitutional right and a capitalistic economic order in case 1, the party did not influence the president's

judgment at all. When both sides connected the regulation issue to economic growth and economic equity in both cases, they affected the president's judgment. The government could enhance the trustworthiness of its arguments through majority valencing in case 1, but the same government strategy could not succeed in doing so in case 2. The ruling party's confidence strategy did not have significant impact on the president in case 1, whereas it did in case 2.

Why did some issue association could influence the president's judgment, while others did not? Why was a majority strategy effective in case 1, while a confidence strategy worked in case 2? Under what condition could these strategies be effective in affecting the president's thinking?

Economic growth and economic equity were sub-goals of the president's historic missions: progress toward advanced industrialization and democratization. This means that issue attribution can be effective when it is linked to 'the president's goals.'

The president seemed to keep in mind two categories of people as a reference for his judgment: the general public and a group of people in his inner circle (formal advisory, leaders of key organizations, informal consultants and peers in his personal advisory group, and so on). Persons in the latter category do not have equal confidence to the president. They are differentially trusted according to their personal relationship with the president, expertise, performance, and other factors.

It was because of 'the shift of reference point' that the confidence strategy was effective in case 2, but not in case 1. The president's primary policy reference was public opinion in case 1, while it shifted to his inner circle in case 2. This shift of reference point is an outcome of the president's power management for effective leadership in a 'changing power structure.' When he needed his personal popularity as his power base in a fragmented four party system, he referred to public opinion. When he achieved a strong institutional power base through the merging of three parties, he referred to the opinions of his inner circle.

(4) Why did the ruling party exercise unsuccessful strategy in case 1, while successful one in case 2? What factors affected this effective strategizing?

First of all, cross-examining two cases, relevant information and knowledge were vital to issue manipulation. The same information was not available to both the party and the government. Primary information sources in case 1 and case 2 were incumbent expert leaders and the research team. The ruling party and the government established their own study team specially for this information purpose in case 1. Especially, the government research team consisted of experts from various outside institutions. But in case 2, unlike the government, the ruling party did not establish its research team. The policy leaders of the ruling party utilized business research teams effectively. These facts indicate that information

sources available to policy leaders were not confined to their organizational staffs. Both cases show the importance of outside linkages for information. Here, the concept "information network" can be introduced. In a society where there are a number of information-generating institutions, the policy actors can complement their lack of information by constructing a network with external research groups operationally and temporally for information mobilization.

The information gap between the ruling party and the government can be examined in terms of information network. Compared with the government's network, the ruling party's network was narrower in scope and less qualified in case 1. The ruling party's study team consisted of four members, and business research institutes aligned with the party were not sufficiently qualified to provide information and expert knowledge about the land problem. On the other hand, the government network (research team) consisted of experts, institutes, and organizations which were well versed in the land problem. In case 2, the party's network was almost equal, not inferior, to that of the government in scope and quality. Business research teams and task forces were sufficiently wide and qualified to develop information and arguments about financial regulation. Nevertheless, the ruling party was superior to the government in the issue manipulation game. Why? The reason lied in the difference in the direction of the operation of information networks. The ruling party network was operated to develop not only recommendations for modification, but also rationales and arguments for opposing the government position. But the government network was confined to the development of recommendations for the prevention of negative effects. Despite its qualifications, the government's information network did not provide effective theories and arguments for policy debates with the ruling party because of its direction of operation. In sum, 'the composition and direction of the information network' facilitated or constrained policy leaders in the game of issue manipulation. Therefore, it determined their relative success in issue manipulation.

The information network was not the unique determinant of issue manipulation. In both case 1 and case 2, the regulatory issue was manipulated in close relation to 'socio-economic change.' The aspects of socio-economic situation were picked up and used as nodes of connection chains between the policy position and the president's goals, through experts' interpretation. In case 1, the government capitalized on these aspects of the socio-economic situation (frequent and violent labor strikes, the growth of entertainment industries, the stagnation of manufacturing industries) to the full extent to make plausible causal paths between its policy position (the upper limit of housing lot and the taxation of extra-profits from the land development and its holding) and the president's goals (economic growth and equity). But the same socio-economic situation was a constraint to the ruling party. In case 2, the ruling party utilized the socio-economic situation (the diversion of money out of stock mar-

kets, export contraction, declining trade gains, the stagnation of manufacturing industries, the increase of land and house price, labor strikes) to attractively connect its policy position (the opposition to the government's financial regulation) and the president's goal financial regulation to economic growth policy became less persuasive as exports, trade balance, stock markets, and manufacturing industries deteriorated.

Next, in both cases, internal coherence was facilitated or constrained by 'the perspective and power of incumbent leaders. In case 1, government coherence was achieved because the EPB minister and the chief presidential economic adviser had a shared perspective, and the MOC minister with a different perspective lacked of power to push his view. The ruling party, however, could not form a united position because the Secretary-General had a different view from other party leaders and tried to push his opinion. In case 2, the government could not obtain consensus because the MOF minister had a different view from the EPB minister and the chief presidential economic adviser. However, the ruling party formed a united front because of the common perspective of its incumbent leaders.

Since policy experts usually have their pre-formed and stable beliefs (causal map) for the issue at stake, their policy positions are not easily amenable to outside manipulation. Policy cohesion of the ruling party or the government depended on the congruence of policy views the expert incumbents already had. The ruling party's effort to increase confidence was successful because there were persons in the president's informal advisory group, who were trusted by the president and had the advisory group, who were trusted by the president and had the same view as that of the ruling party.

From these findings, it can be inferred that the confidence strategy was affected by 'who (perspective and power) sits where (incumbent leadership, the president's informal advisory group).

On the other hand, the government's mobilization of public opinion was facilitated by a piece of shocking information<sup>12)</sup> and effective issue attributions in case 1 and issue attribution in case 2. The ruling party could partially impact public opinion by one effective issue attribution, 'the middle class damage,' in both cases. It also won a majority of non-economic expert staff in the Blue House by issue attribution and coupling in case 2. This means that winning a majority was affected by 'issue attribution and information. Non-economic experts were committed to neither side at first because they had insufficient knowledge to judge each position. They were volatile enough to change their opinions. Depending on issue attribution and information provided by both sides, these non-experts understood the positive and negative effects of each policy position and committed themselves to a position. Also, since issue attribution is a kind of strategy, it can help obtain their support when it is targeted at these neutral groups having no clear and stable beliefs. Furthermore, this

attribution can weaken the opposition camp's cohesion by linking the opposition's policy instrument to negative side effects and seceding marginal members.

## **2. Rival explanation**

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

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

One rival explanation was strongly suggested by some government officials. According to this rival explanation, the ruling party's success in case 2 and failure in case 1 was due to the change of party system. In case 1, because of a fragmented four party system where the ruling party was a minority party, the ruling party could not block government policy. In case 2, the ruling party could carry its opposition through against the government because it became a gigantic power through the merging of three parties.

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

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

Nevertheless, this rival explanation can not account for a few important aspects of



these conflicts. First of all, before the merging of three parties, the innovative approach of the government changed into a step-by-step approach in case 2. In the course of merger, the ruling party did not even discuss with the two merging opposition parties the fate of financial regulation. The ruling party tried to block the government's financial regulation without the consultation with or the cooperation of the two merging opposition parties. This means that, regardless of the merging of three parties, the effort to block financial regulation was ongoing and successful.

Second, even in a fragmented four party system, the ruling minority party did not completely fail to change the government's position in case 1. Even though the ruling party was in a minority position under the adverse public opinion, it changed part of the government's position. This fact indicates that the political power of the ruling party to withstand pressures from public opinion and opposition parties was not a primary determinant of its influence on the government's financial regulation.

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

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

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

#### **IV. An Explanatory Framework for Policy Conflict Settlement between the Ruling Party and the Government**

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

##### **1. Judgement Politics as a perspective**

The 'judgement politics' means that policy coordination is a kind of judgement process and that this judgement process is politicized.

The policy is a causal map about a set of goals and means. To take a position is to

set initial causal paths between policy goals and available instruments. The policy position is a tentative and plausible causal map which each independent policy actor constructs. To coordinate policy positions is to rearrange incompatible causal paths into a consistent causal map. The essence of position taking and coordination is a series of judgements for causal paths.

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

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

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

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

Why can this perspective be plausible in the Korean decision making structure?

First, the ruling party or the government in Korea is not in a position of strategic superiority over each other. This is government leaders are recruited from bureaucratic and academic professional. The ruling party has not controlled the government leadership positions. Similarly, the government leaders with bureaucratic and academic background had no leverage in the ruling party. Therefore, the ruling party and the government try president, in conflict between both sides.

Second, once elected, the president himself wants to act as a national leader, not just a top party leader or a top government leader. Therefore, he does not automatically impose his party programs on the government bureaucracies. Rather, due to concerns about his performance in office, he tends to rely on the government bureaucracies. Nevertheless, he can not always ignore the policy opinions of the ruling party as his political power buttress.

Third, at the time of drafting policy proposal, the government and the ruling party usually do not hold all the necessary information and objective analysis of the policy problem. They also do not or cannot conduct a complete and scientific causal analysis of the issue at the time of decision not only because the need to respond timely to the ever-changing situation precludes such a time-consuming analysis, but also because the lack of resources, information and skills does not allow it. Furthermore, in the case of a big issue, even when expert analyses are available, their arguments frequently diverge and conflict on crucial points. In this milieu, causal linkage is inevitably fixed through political judgement based on available information about the issue, beliefs about it, interpretation of it, and interests involved in it.

## **2. Policy Influence and its Determinants**

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

### **(2) Issue association and Valencing as a strategy for policy influence**

Strategy is an intellectual and political work which combines knowledge, information, power, and resources with external constraints and opportunities.

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

ed by it, in order to form a policy position or advocate it. How to attribute the president's goals a policy actor in conflict attributes to his preferred policy instruments, the more likely the position is to be included.

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

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

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

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

#### **(4) Determinants of effective strategizing**

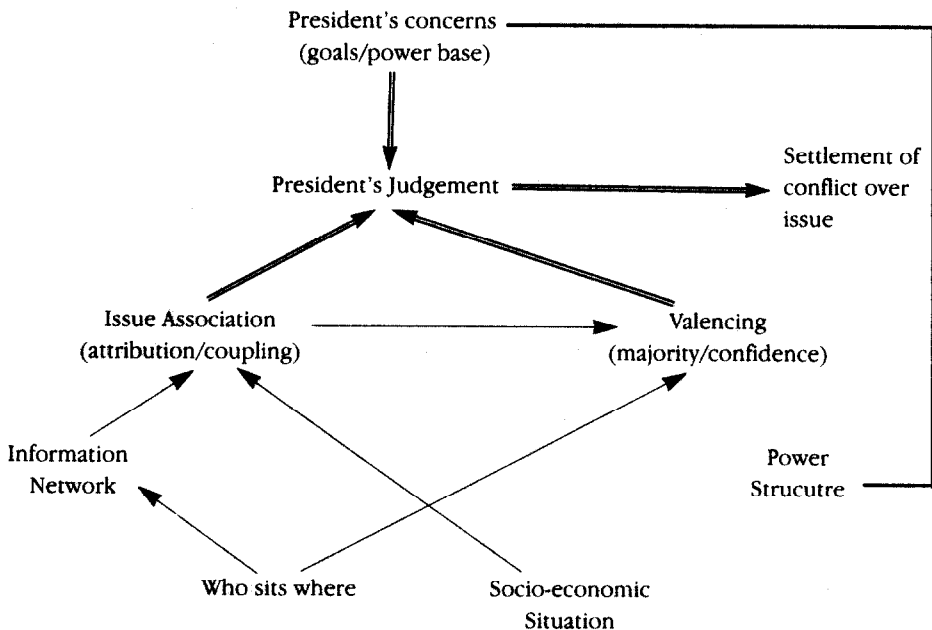
**Socio-economic situation:** The changing aspects of the socio-economic situation served as an opportunity or a constraint for issue attribution. Also, they consolidated or undermined causal paths already attributed. What aspects to grasp, how to interpret them, and how to use them can determine the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

party or the government leaders in issue association.

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

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

**Who sits where:** Policy leaders of the ruling party and the government are



appointed by the president according to personal ability (expertise, political weight) and relation with the president. Therefore, they are eager to be responsible to the president individually rather than collectively. They try to realize their own ideas in the name of the president. They are reluctant to compromise with others against their conviction. In this situation, the policy position of each side is formed in accordance with the perspective of its dominant policy leader(s) in internal power dynamics. Internal coherence behind this position is determined by the dispersion of influential perspectives. The president's judgement is influenced partially by the perspective of policy expert(s) who is trusted by the president and does not belong to both sides. Where are policy leaders with what perspective and power? The effectiveness of confidence strategy depends on this dynamics of perspective and power among these leaders in the ruling party, the government, and the president's informal advisory group.

## **V. Conclusion**

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

This study makes a couple of theoretical contributions. First, this study improved the existing explanation of the ruling party's influence over the government's policy ('bureaucratic dominance' versus 'political dominance'). Unlike existing theories which rely on structural factors (political regime structure and party structure), the framework suggested in this study can explain the variation of the ruling party's policy influence over the government across policies in the same structural arrangement.

Second, this framework improves the cognitive theory of decision making by illustrating how a powerful actor constructs his causal beliefs in the course of decision making. Despite the the concept 'causal map' is useful in describing and explaining policy making processes, it has not yet been systematically linked to political and organizational factors beyond human cognitive variables. This study is a partial attempt at this linkage. These cognitive theories are concerned with drawing out the causal maps or belief structure of decision makers and explaining decisional outcome from this belief structure or its change. They pay less attention to why and how these beliefs are formed. As shown in this study, some members, usually expert members, participate in the policy making process with relatively unambiguous

belief system about the pending policy issue, while others, usually non-expert members, are involved in the process without clear causal beliefs become clear or formed with the aid of information and logical arguments provided in the debate and political maneuvering among expert participants. When this not-expert participant is a power man, the policy outcome depends largely on what causal beliefs he forms in this debate and political maneuvering.

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

Furthermore, through the adroit management of judgement politics by policy actors in conflict, the president can induce causal paths that should not be ignored if he is to make a sound decision. If the president is not effective in this management, he may see one side of the issue as partisan advocates guide him, or he may be confused between rampant polarized advocates.

Therefore, to help the president avoid this dilemma and to manage well the politics surrounding his judgement, a neutral consultant may be needed. If the president's secretaries do take an advocating role, instead of a consulting role, and the president turns to his informal group for consultation, he may be exposed to another, sometimes irresponsible, advice.

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

Third, this study of the determinants of the ruling party's influence over the government offers a guide to structural reform of the party. For the increase of the ruling party's influence, the existing studies in Korea have suggested the increase of policy expert staffs and the change of the president's attitude toward the ruling party. But this study suggests the nurturing of policy expert leaders and their coherence, and the development of information networks. The alternative of increasing expert staffs requires another huge bureaucracy for sufficient expertise in all policy areas. This is not efficient. Moreover, as this study shows, since the party leaders have to debate controversial issues in policy coordination meetings and, more importantly, in front of the president in order to push the party position, they cannot be influential if they rely only on their staffs and other experts. They should become at least quasi-experts who can digest and interpret the complex issue and its

political context, and deliver their integrated interpretations to the president. For this purpose, the role and expertise of incumbent leaders, such as the chairmen of Divisions, and their access to the president need to be strengthened. Another efficient way to secure information and expertise is to develop information networks with other sources about the issue.

One limitation of this study lies in its data base. Because the president and other informal influential could not be interviewed, the analysis of the president's interpretation of and judgment on arguments between the ruling party and the government was based on indirect<sup>13)</sup> and limited data. This study needs to be complemented by more rich and reliable data in the future.

## Notes

- 1) These terms are from Richard E. Walton and Robert B. McKersie, *A Behavioral Theory of Labor Negotiations* (New York, N.Y.: McGraw-Hill Book Company, 1965). 'Integrative' means that the joint gains available to both parties are pursued or increased. 'Distributive' means that the gains of one party is the loss of the other party.
- 2) For a discussion of clearance points, see Robert S. Gilmour, "Policy Formulation in the Executive Branch: Central Legislative Clearance", in James E. Anderson, (ed.), *Cases in Public Policy Making* (New York, N.Y.: Holt, Rinehart and Winston, 1976).
- 3) The current president, the Party Representatives of the ruling party, and the current chief presidential economic secretary.
- 4) This meeting was held between the Secretary-General, the CPA chairman, the chairman of the National Assemblymen Meeting, the OPC director and vice-director on the party side and the chief presidential economic secretary, the ministers of EPB, MOC, MOF and MOAF (Minister of Agriculture and Fishery) on the government side.
- 5) Party Representative, Secretary-General, CPA chairman, chairman of the ruling party's National Assemblymen Meeting (chief of whips), OPC vice-director, and presidential chief political adviser attended the meeting.
- 6) Because huge financial assets have been inherited without paying tax, the large portion of government expenditure has been buttressed by labor income tax rather than financial income tax.
- 7) Non-real named stocks of business investment can be easily pulled out to launch another business. The financial crisis of the original business, caused by this pull-out, can be averted by the low-interest loan, if it was a manufacturing corporation. The government can not avoid assisting this endangered business for businessmen to expand their empire.
- 8) By using a number of fictitious names, a person or a upper limit of shares a person can hold legally.
- 9) This team was consisted of five MOF divisions.
- 10) Julius Gould & William L. Kolb, (eds), *A Dictionary of the Social Sciences*, (The Free Press, New York, 1964), p.97.
- 11) This selective attention to policy instruments and goals is a strategy of improving one's



interests, values, and power by controlling events.

12) It was the fact that the top 5% of land owners held 65% of private land.

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