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The Presidency, Regionalism, and Distributive Politics in South Korea

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Although *whether* there is political influence on distributive policies is now indisputable, important debates have emerged about *how* politics distorts distributive policy outcomes. In this article, the authors improve the understanding of distributive politics by focusing on South Korea. They argue that because of Korea-specific institutional and cultural settings, an incumbent president allocates disproportionately larger amounts of pork-barrel benefits not only to his own turf but also to his rival's, while distributing smaller amounts to regions where votes are more evenly divided between the camps. This uneven distribution results from his aspiration to achieve dual objectives: to secure his "graceful retirement" and to achieve uninterrupted operation of government during his term. Using municipality-level data, the authors show that this *U*-shaped relationship between vote and money is statistically significant for both the Kim Young Sam (1993 to 1997) and Kim Dae Jung administrations (1998 to 2002).

Keywords: *Korea; distributive politics; intergovernmental fiscal transfers; pork barrel; regionalism*

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Although *whether* there is political influence on distributive policies now seems indisputable (e.g., Bickers & Stein, 1996; Evans, 1994; F. E. Lee, 2000; Levitt & Snyder, 1995; Rich, 1989; Stein & Bickers, 1994; Wilson, 1986), important debates have emerged about *how* politics distorts policy outcomes. In this article, we aim to improve the understanding of distributive politics by focusing on South Korea (hereafter, Korea). We argue that because of Korea-specific institutional and cultural settings, an incumbent president allocates disproportionately larger amounts of pork-barrel benefits not only to his own turf but also to his rival's, while distributing smaller amounts to regions where votes are more evenly divided between the camps. This uneven distribution results from his aspiration to achieve dual objectives: to secure his "graceful retirement" on one hand and to achieve uninterrupted operation of government during his term on the other hand. Using municipality-level data, we show that this *U*-shaped relationship between vote and money is statistically significant for both the Kim Young Sam (1993 to 1997) and the Kim Dae Jung administrations (1998 to 2002).

This study has two objectives. First, in the literature of distributive politics, one of the most extensively examined theoretical questions is whether a political actor who has authority and the capability to manipulate distributive policies (i.e., a ruling party, a ruling party coalition, and/or an incumbent president) allocates disproportionately larger amounts to "swing groups" (e.g., Bickers & Stein, 1996; Dahlberg & Johansson, 2002; Dixit & Londregan, 1996, 1998; Lindbeck & Weibull, 1987; Stein & Bickers, 1994) or "support groups" (e.g., Cox & McCubbins, 1986; Levitt & Snyder, 1995). The *U*-shaped relationship between vote and money that we will show in this article implies that neither of the two models fits the Korean case. We elaborate, in the second and third sections, that this counterintuitive pattern stems from various institutional and cultural characteristics built in Korean politics, including firmly established executive dominance over the legislature, one-term presidency, and rampant regionalism (i.e., persistent loyalty to a distinct region).

Second, we also aim to make a contribution to the understanding of contemporary Korean politics. There exists some prior research on distributive politics in Korea (Cho, 1997; Choi, 1993; Sohn, 1993). However, without performing empirical tests based on budgetary and electoral data, these studies often form a hasty conclusion that distributive policies are influenced by Korean people's regional sentiment and politicians' incentive to utilize it. By examining the way in which budget allocation is made in the Korean context, we empirically demonstrate that the incumbent president possesses a disproportionate inclination to direct funds not only to his own turf but also to his rival's.

One notable exception is the research undertaken by Kwon (2005), showing that larger amounts of subsidies are allocated to provinces and cities with lower electoral margin between presidential candidates—which is in direct opposition to our own findings. This may partly arise from the different unit of observations (province or city for multiple years in Kwon's study vs. municipality for multiple years in our study), the different dependent variable (one type of transfers—national subsidies—in Kwon's study vs. total transfers in our study),[1] and the different set of control variables. More importantly, we believe that Kwon's key causal variables (i.e., the proportion of pro–ruling party votes and absolute value of electoral margin between the two leading candidates) are not necessarily valid measures to test the *U*-shaped or inverted *U*-shaped relationship between votes and money.[2] Using our municipality-level data for the period from 1995 to 1998 (i.e., the period under the Kim Young Sam administration that Kwon's province- or city-level data also cover) and similar model specifications, we investigated how Kwon's result would change if the runner-up's vote share in the previous presidential election were added. The results supported our claim: Municipalities with high vote share, for either the winner or the runner-up, received more expenditure than did others, although the coefficients did not reach the standard level of significance because of high multicolinearity.

Although our study is country specific, its theoretical underpinnings and findings have comparative implications. The accumulation of such country-specific studies helps to better understand the way institutional and cultural variations affect policy outcomes. We hope that our study can further stimulate scholarly discussions of distributive politics in diverse national settings.

The Presidency and Regionalism

Political bias in allocating public resources is hardly separated from each country's institutional and cultural backgrounds. In the case of Korea, the presidency and regionalism are the two defining factors that must be taken into account. In this section, to derive our hypothesis, we carefully examine how these factors influence budget making in Korea.

The President as the Dominant Actor

As O'Donnell (1994, 1998) succinctly points out, the excessive use of presidential power is not uncommon in fledgling democracies, and Korea is

not an exception to this. The unconstrained presidential power, often called "imperial presidency," has emerged as one of the most crucial problems in consolidating its democracy (Choi, 2002). Korean presidents, in the shadow of authoritarian legacies, have been virtually free from horizontal checks in exercising their power. A series of institutional reforms have been introduced to enhance the legislative authority, but the initial optimism that the National Assembly would play a more active role in constraining the presidential power has quickly evaporated (C. W. Park, 2000).

Korean presidents also wield an enormous influence on distributive policy (Chung, 1997; Jeong, 2001; Jun, 1995; K. E. Kim, 1992; S. C. Kim & Yoon, 2002). A combination of several factors contributes to enhancing presidential power in the budget-making process in Korea. First, the budget-making system is highly centralized in that the budget-compilation process is dominated by the Presidential Office, the Ministry of Finance and Economy, and the Ministry of Planning and Budget (Shin, 1993). A president's policy priorities are usually delivered through these agencies to individual ministries (Jeong, 2001). Because these three key agencies have a firm grip on budgetary matters within the government, it is relatively easy to reflect a president's interests in the budget-compilation stage. In addition, a president's policy priorities—such as presidential campaign pledges—are well incorporated into the *Guidelines for Budget Compilation* (K. E. Kim, 1992). The guidelines—annually drawn up by the Ministry of Finance and Economy and conveyed to other government ministries—effectively serve as an instruction to which each ministry refers during the budget-compilation stage. Individual ministries eager to increase the ministerial budget also have a reasonable incentive to closely follow the guidelines. According to a survey carried out by S. C. Kim and Yoon (2002), 45.6% of budget officials in individual ministries responded that they place top priority on presidential pledges when compiling the ministerial budget.

Second, an incumbent president tends to intervene in budgetary issues with national salience. The most prominent case occurred during the Kim Young Sam administration. Observing his popularity rapidly eroding through a mishandling of the negative repercussions of agricultural liberalization (mandated by the Uruguay Round in 1994), the then-President Kim Young Sam announced an injection of 15 trillion won (approximately $16.7 billion) to restructure the agricultural sector. Reflecting the President's interests and determination, the government quickly created a special tax for farming and fishing villages to finance this project, and, in 1994, the budget for the agricultural restructuring increased by 61.2% (Y. S. Chang, 2000), which arguably demonstrates how presidential interests are effectively

incorporated into the budget compilation. The Ministry of Agriculture also skillfully seized this opportunity. Its overall budget size increased 3.9 times during the Kim Young Sam period. This change was quite dramatic given that the Korean government's total budget increased 2.1 times during the same period (Y. S. Chang, 2000).

Third, the Korean presidents have not faced serious challenges and restrictions from the National Assembly in the budgetary review process (M. S. Chang & Yoon, 2002). As C. W. Park (2003) argues with compelling empirical data, the executive dominance over the legislature is firmly established, with the National Assembly making only slight modifications to the executive's original budget proposal. This is shown in the cases of the Kim Young Sam and Kim Dae Jung administrations, during which the net changes made by the legislature never exceeded 1% of the proposed budget (C. W. Park, 2003). In addition, it turned out that the legislature's influence is also minimal at the government's budget-compilation stage (i.e., before the government officially submits the budget proposal to the National Assembly), as consultation between the executive and the ruling party often runs in formality, failing to produce tangible outcomes regarding budget making (J. M. Park, 1998).

There are various reasons for the legislature's inability to increase its influence vis-à-vis the executive in the budgetary process. First, legislative members are not given sufficient time and resources to make thorough budgetary reviews. On average, standing committees spend just 4.8 days on entire budgetary reviews. Given that each standing committee usually takes charge of three ministries, they allocate 1.6 days to reviewing each ministry's budget (Y. J. Lee, 2002). Second, intense interparty conflicts often create political paralysis in legislative processes, seriously impeding the legislature's ability to check the executive in budget making. The opposition party frequently uses the budget review as a political bargaining chip in dealing with the ruling party and postpones its passage until the last moment designated by the law. Last, the imposition of strong party discipline also hinders both ruling and opposition parties from undertaking effective budgetary reviews (Hwang, 1993). During the period covered by our study, it is generally assumed that individual legislative members' party loyalty is not geared toward party ideology or platform but toward particular political leaders because their political careers, such as party nomination for the next election, largely hinge on these leaders or their personal organizations (B. K. Kim, 2000). Thus, legislative members have fewer incentives to cultivate policy expertise related to budgetary matters for the purpose of their reelection. Moreover, in gathering information and developing

expertise on budgetary matters, individual legislative members in Korea are hardly able to enjoy the institutional support that their counterparts in the United States, for example, receive from a variety of institutions such as the Congressional Budget Office and the General Accounting Office (Hahm, 1996).

Seen from this perspective, the president is the single most important political actor in Korea who has authority and capability to influence distributive policies. Thus, any theoretical model of distributive politics in Korea should properly capture the incentives of the president and test the relationship between the level of presidential support and the outcome of distribution.[3]

One important institutional characteristic shaping a Korean president's incentive is that an incumbent cannot seek reelection. Although the term limit is not unique to the Korean presidential system, it generates more significant political consequences in Korea than in other established democracies. A number of political scandals, such as imprisonment of ex-presidents, their sons, their family members, and political supporters in the National Assembly and the Presidential Office, suggest that an unchecked president is more likely to abuse his power than are his counterparts in other countries such as last-term politicians in the United States (Besley & Case, 2003; Persson & Tabellini, 2003). It is quite reasonable to assume that the Korean president, who serves only one term and is relatively free from horizontal checks of power, enjoys greater room for maneuvering budget allocation according to his own interests.

Strong Regional Rivalry

Regionalism is another crucial factor in understanding distributive politics in Korea. Its paramount importance has been witnessed in presidential elections since 1987, particularly in the two rival regions: Jeonla in the southwest (including the city of Gwangju) and Gyeongsang in the southeast (including the cities of Daegu, Busan, and Ulsan). In 1992, Kim Dae Jung, a native of Jeonla, gathered an overwhelming 91.9% of the Jeonla vote but a mere 10.1% of the Gyeongsang vote. In contrast, Kim Young Sam, who was born in Gyeongsang, took power by gathering 68.8% of the Gyeongsang vote but only 4.3% of the Jeonla vote. This situation did not change in the 1997 presidential election. While Kim Dae Jung garnered an astounding 94.4% of the Jeonla vote, Lee Hoi Chang, a presidential candidate of Kim Young Sam's party, received 59.1% of the Gyeongsang vote (see Table 1).[4]

Table 1
Vote Share of the Top Two Candidates in 1992 and 1997

14th Election in 1992	Kim Young Sam	Kim Dae Jung	Difference
Seoul, Incheon, Gyeonggi	36.4	35.1	1.2
Gangwon	41.5	15.5	26.0
Daejeon, Chungcheong	36.9	27.8	9.1
Gwangju, Jeonla	4.3	91.9	–87.6
Daegu, Busan, Ulsan, Gyeongsang	68.8	10.1	58.7
Jeju	40.0	32.9	7.1
Total	41.9	33.8	8.1
15th Election in 1997	**Lee Hoi Chang**	**Kim Dae Jung**	**Difference**
Seoul, Incheon, Gyeonggi	38.3	41.9	–3.7
Gangwon	43.2	23.8	19.4
Daejeon, Chungcheong	27.4	43.9	–16.5
Gwangju, Jeonla	3.3	94.4	–91.1
Daegu, Busan, Ulsan, Gyeongsang	59.1	13.5	45.6
Jeju	36.6	40.6	–4.0
Total	38.7	40.2	–1.5

Note: The vote share is the number of votes for each candidate divided by the total number of valid votes.

Such strong regional loyalty is said to have stemmed from geographically unequal economic growth between Jeonla and Gyeongsang.[5] As a matter of fact, from the early 1960s to late 1990s, all Korean presidents came from Gyeongsang, which allegedly became the major beneficiary of various economic policies under their rule. At the same time, the Jeonla people's frustration with their region's relatively retarded economic development was translated into political opposition against the Gyeongsang regimes (M. H. Kim, 1987).

Korean regionalism is also an outcome of dynamic interactions between politicians and voters. Replacing the preexisting cleavage between democratization and antidemocratization camps, political regionalism rapidly emerged as the foremost social cleavage in Korean politics. In fact, regionalism serves as a powerful factor affecting voters' electoral decisions (K. Y. Lee, 1998; N. Y. Lee, 1998). Observing this growing importance of regionalism, politicians saw geographically concentrated mobilization strategies as an expedient way to boost their chances of being elected (Choi, 1993; Y. J. Moon, 1992; Sohn, 1993). In this context, political regionalism and distributive policies are intricately intertwined (Cho, 1997; Kang, 2000; J. H. Kim, 1997; K. Y. Lee, 1998).

Hypothesis

Based on the above discussion concerning Korea-specific institutional and cultural factors, we now introduce our hypothesis. Let us first briefly explain how our hypothesis differs from the two conventional models of distributive politics. Following Cox and McCubbins (1986), we assume that there are three regions—high (H), medium (M), and low (L). Region H is an incumbent president's stronghold. In Region L, the president received only a small fraction of votes in the previous election. Voters' support for the incumbent is relatively evenly divided in Region M. The question is to which region the rational president allocates disproportionately larger amounts of public expenditures for his own interests. The "support groups" hypothesis implies that Region H receives the largest transfers, whereas the "swing groups" hypothesis suggests that Region M benefits most. By contrast, our *U*-shaped hypothesis implies that both Regions H and L receive larger benefits than does Region M.

We argue that any incumbent president in Korea has two objectives in his mind when designing distributive policies. Given the institutional features explained in the previous section, the incumbent's first objective is to secure graceful retirement (Ahn, 2003; Kwon, 2005). And the incumbent is expected to help the ruling party candidate win in the next presidential election, thereby significantly reducing the possibility of the next government discrediting various political, economic, and social achievements made during the incumbent's term.[6] To fulfill this goal, to which region should the incumbent target government spending? In answering this question, the Cox and McCubbins (1986) model, which assumes that the incumbent's attitude toward uncertainty affects distributive strategies, is suggestive. In general, no politician has complete information about how each voter casts a ballot. Given strong regionalism, however, the Korean president has a fairly high level of certainty about voters' behavior in his own or his rival's region. Insofar as the incumbent is assured that his loyal supporters will most likely vote for his successor (i.e., the presidential candidate of the ruling party, who is typically from the same region), his priority is to allocate disproportionately larger resources to his own region as a way of garnering political support.[7] Mobilizing support in other regions, particularly regions where votes are divided between the ruling and opposition camps, would only be the next step if it is necessary to do so to win the presidency. Accordingly, as Cox and McCubbins argue, a risk-averse incumbent should bring larger benefits to Region H.

However, the "support groups" hypothesis under the dominant presidency is not complete in capturing the dynamics of distributive politics in Korea. Given the strong presence of political regionalism, we assume that the president has another objective when making distributive policies: to achieve uninterrupted and smooth operation of government during his term. In other words, the president has a strong incentive for "blame avoidance" (Balla, Lawrence, Maltzman, & Sigelman, 2002). If the president's support base—as compared to other regions—receives overtly larger amounts of transfers for the president's pet projects and programs, supporters of the opposition camp are "likely to respond by lambasting the majority [i.e., the president] for unfairness, wastefulness, and playing politics with the public purse" (Balla et al., 2002, p. 518). The Korean president, once elected, is eager to establish himself not as a leader of one specific region but as the leader of the entire nation. This is not just a matter of image making. Numerous contemporary political events, including tumultuous ones, in Korea suggest that popular support during the presidency is highly important for the smooth operation of their rule. Every president makes it clear in his inauguration that he would serve for the cause of national integration, despite winning the presidency with landslide support from his home region. For example, President Kim Dae Jung made a symbolic move when he selected Daegu and Gyeongbuk as the first places in his round of visits to local provinces to ameliorate the rival region's frustration and anxiety. During the visit, he repeatedly ascertained that he would make continued efforts to overcome decades-old regionalism (Jiyeokgamjeong beorigo dongseo hwahwap iruja, [Let's overcome regionalism to achieve national integration], *Dong-A Daily*, 1998, May 1, p. 1). This indicates that although Korean presidents are relatively free from horizontal checks of power within the legislature, they have to rely on (and mobilize) nationwide popular support to launch ambitious political agendas.

To achieve the objective of alleviating opposing voices from the rival region, we assume that the president needs to allocate disproportionately greater amounts of distributive benefits to his rival's stronghold: Region L. This is because the marginal effect of "clamping noisy people's mouth shut" by allocating an additional amount of transfers is higher in regions with a larger number of voters not supporting the incumbent, for example, in Jeonla under the Kim Young Sam (from Gyeongsang) administration.

In sum, these dual objectives drive the incumbent to allocate disproportionately larger amounts of transfers to Region H and Region L, thus producing a *U*-shaped relationship between vote and money.

Data and Variables

To test the validity of the hypothesis introduced in the previous section, we set the following regression equation:[8]

$$\ln Y_{i,t} = \beta_0 + \beta_1 X_{i,t} + \beta_2 X^2_{i,t} + \beta_3 Z_{i,t} + \varepsilon_{i,t}.$$

$Y_{i,t}$ is the total transfers per capita from the central government to municipality i in a given fiscal year t. $X_{i,t}$ is the vote share of a winning candidate in municipality i in the previous presidential election as of year t. $Z_{i,t}$ and $\varepsilon_{i,t}$ are a set of control variables and a disturbance term, respectively. The hypothesis in the previous section suggests that the relationship between support for the incumbent president, measured by the vote share in the previous election and the total transfers, is U shaped. Namely, the larger transfers should be directed to regions where support for the president is either very high or very low. A testable implication of this quadratic relationship is that the effect of the voter share in the previous election is negative ($\beta_1 < 0$) but the effect of its squared term is positive ($\beta_2 > 0$).

The period of investigation is from fiscal year 1994 to fiscal year 2003. We first ran a cross-sectional regression for the budgets compiled by the respective governments of Kim Young Sam and Kim Dae Jung. The relevant presidential elections were held in December 1992 and December 1997. In Korea, a fiscal year corresponds to a calendar year, and the National Assembly typically approves the budget drafted by the Ministry of Planning and Budget by the end of November. Therefore, Kim Young Sam, the winner in the 1992 election, was expected to exercise influence on the 1994 to 1998 budgets, whereas Kim Dae Jung, the winner in the 1997 election, was to have influence on the 1999 to 2003 budgets.[9]

Second, we pooled data for multiple years, added year dummies, and ran regressions for the 1994 to 1998 budgets and the 1999 to 2003 budgets. We used these pooled regressions to produce more efficient estimates of how each president affected the amount of total transfers during his term. During the period of investigation, an opposition candidate won the presidential election in 1997 for the first time in Korean history. This change of government from the Kim Young Sam administration to the Kim Dae Jung administration allows us to examine whether the government turnover affected patterns of distributive politics. Because the hypothesis we derived in the previous section is independent of partisanship or ideology, it is expected that the U-shaped hypothesis is valid in both periods. The result of simulation analysis, which graphically tests the U-shaped relationship between votes and money for each period, will also be presented.

A potential criticism of our analysis is that municipalities with the very high and low levels of support for the incumbent receive more resources because of nonpolitical factors that coincide with the level of political support. For example, some may argue that these municipalities receive more resources because they are economically backward and thus have greater functional demands for government transfers. Others may alternatively assert that Jeonla provinces and Gyeongsan provinces have always received more transfers than other provinces, not because of the president's strategic calculation but rather because these regions have some geographical advantages. To eliminate these alternative possibilities, we added some covariates that will be introduced later. To most effectively control other observable and unobservable municipality-specific and year-specific factors, we also used all the data and ran a fixed-effect regression with municipality dummies and year dummies as the final step of analysis.[10]

Including these municipality-specific and year-specific variables is likely to obtain unbiased estimates. The location of public utilities, the level of relative incomes and relative urbanness vis-à-vis the national average, the political culture, and historical experiences are geographically specific and, at least to some degree, constant over time. These municipality-specific dummy variables may also control the effects of how much voters in a given municipality actively participate in politics to extract distributive benefits. The year-specific variables, such as whether a given year is before or after the 1997 presidential election and whether it is before or after the Asian financial crisis, should also be significant.

The total number of observations for each fiscal year is 216. During the past decades, Korea experienced a number of municipal mergers and divisions. To ensure a stable frame of reference, we use a fixed set of municipality codes and aggregate data for each code.[11] This allows us to examine intertemporal differences in distributive policies.

The dependent variable is the per capita amount of total transfers from the central government to municipal governments (in log). The total transfers are defined as the sum of *gukko bojogeum* (national subsidy), *jibang gyobuse* (local allocation tax), and *jibang yangyeogeum* (local transfer tax).[12] We use total transfers rather than program-specific or type-specific (i.e., either formulaic or nonformulaic) transfers. According to existing studies (Ansolabehere, Gerber, & Snyder, 2002; Horiuchi & Saito, 2003), it is difficult to properly estimate the overall political effects when using program-specific or type-specific subsidies because a particular project is often financed from various pockets.

The key independent variables are the vote share of the winner in the previous presidential election and its squared term.[13] Because voting patterns in

Korea show a great deal of difference between regions (see Table 1), these key independent variables widely vary across observations, allowing us to be more confident in our hypothesis testing (this is a methodological advantage of using the Korean data in examining the relationship between vote and money).

Besides the winner's vote share, there are other factors that may affect total transfers. To capture other formulaic and nonformulaic determinants of total transfers, we include a set of control variables.[14] The fiscal independency index measures the extent to which each municipality's fiscal demand is financed by local tax resources. Because it is designed as an indicator to determine the formulaic portions of transfers, it should have a strong negative effect on the dependent variable. The population density (in log) also controls the effects of formulaic portions. Because it can be used as a rough proxy measuring the degree of urbanness or the level of economic development, we expect that municipalities with higher population density receive fewer intergovernmental transfers. The ratio of population older than 65 (in log) is also a key variable when the government decides welfare expenditure, and it is likely to have a positive effect. We also control for the effects of the industrial structure in each municipality. Specifically, we use the ratios of the number of persons employed in the agricultural and manufacturing sectors against the total population (in log). These nonservice sectors are expected to have a loud voice in budget making to extract more government resources.

In regressions using data for individual fiscal years and for sets of budgets under the same administration, a dummy variable for a special city (i.e., Seoul) and a dummy variable for six metropolitan cities (Busan, Incheon, Daegu, Gwangju, Daejeon, and Ulsan) are also included. These variables must be included as Seoul and other metropolitan cities, compared to other municipalities, have different legal, administrative, and budgetary relations with the central government. For example, for the majority of periods under study, the central government excluded Seoul and metropolitan cities as recipients of the local allocation tax. Hence, holding other factors constant, they are expected to receive fewer transfers. To avoid perfect multicolinearity, these dummy variables are dropped in the fixed-effect regression using all data.

Results

Tables 2 and 3 show the results of cross-sectional regressions using data during the Kim Young Sam administration (1994 to 1998) and the Kim Dae Jung administration (1999 to 2003). The R^2 statistics range from .826 to

Table 2
Cross-Sectional Regressions, 1994 to 1998

Independent Variables	1994	1995	1996	1997	1998
Winner's vote share	–1.546	–2.169	–2.189	–2.538	–1.810
	(0.410)	(0.560)	(0.547)	(0.506)	(0.499)
Winner's vote share (sq.)	1.919	2.885	2.679	3.088	2.522
	(0.473)	(0.636)	(0.623)	(0.575)	(0.566)
Fiscal independency index	–0.003	–0.013	–0.016	–0.014	–0.013
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Population density (in log)	–0.496	–0.573	–0.577	–0.553	–0.398
	(0.042)	(0.051)	(0.049)	(0.048)	(0.047)
65 or older population ratio (in log)	0.715	0.566	0.515	0.501	0.708
	(0.158)	(0.143)	(0.138)	(0.126)	(0.123)
Agriculture workers per capita (in log)	–0.033	–0.017	–0.054	–0.056	0.012
	(0.016)	(0.025)	(0.024)	(0.023)	(0.022)
Manufacturing workers per capita (in log)	0.009	0.000	0.028	–0.014	0.021
	(0.031)	(0.039)	(0.037)	(0.035)	(0.034)
Seoul special city	–3.136	–1.432	–1.817	–2.089	–3.015
	(0.107)	(0.141)	(0.136)	(0.133)	(0.127)
Six metropolitan cities	–1.153	–0.906	–1.009	–1.160	–1.138
	(0.084)	(0.108)	(0.099)	(0.104)	(0.096)
Constant	3.613	4.158	4.507	4.377	3.892
	(0.346)	(0.322)	(0.308)	(0.290)	(0.291)
$F(9, 206)$	1,083	404	441	494	720
Adjusted R^2	.978	.944	.948	.954	.968
Root mean square error	.343	.456	.439	.417	.401

Note: Based on weighted least square regressions where the weight is the total population in each municipality. The dependent variable is the total transfers per capita in log. The number of observations is 216. The numbers in parentheses are in standard errors.

.981, meaning the regression equation fits the data very well. In all regressions, the winning president's vote share has a negative effect on total transfers, whereas its squared term has a positive effect. The signs of these coefficients are consistent with our expectation. The coefficients' magnitudes are relatively stable, and all of them are statistically significant.

An interesting exception is found in the relatively less significant effects for fiscal year 2003. They are still significant at the 10% level but are not significant at the 1% level, unlike the estimates for other years. The adjusted R^2 statistic is also lower for this year. What, then, explains this 2003 anomaly? We cannot give a definitive answer with our current data, but our speculation is as follows. In May 2002, after going through a competitive primary election, Roh Moo Hyun was elected as the ruling party's presidential candidate

Table 3
Cross-Sectional Regressions, 1999 to 2003

Independent Variables	1999	2000	2001	2002	2003
Winner's vote share	–1.753	–1.303	–1.627	–2.525	–1.552
	(0.406)	(0.431)	(0.583)	(0.506)	(0.911)
Winner's vote share (sq.)	1.699	1.293	1.495	2.385	1.412
	(0.373)	(0.395)	(0.536)	(0.464)	(0.834)
Fiscal independency index	–0.015	–0.013	–0.019	–0.023	–0.009
	(0.002)	(0.002)	(0.002)	(0.002)	(0.004)
Population density (in log)	–0.335	–0.279	–0.258	–0.299	–0.364
	(0.038)	(0.042)	(0.057)	(0.049)	(0.088)
65 or older population ratio (in log)	0.618	0.674	0.253	0.341	0.847
	(0.097)	(0.093)	(0.123)	(0.106)	(0.192)
Agriculture workers per capita (in log)	–0.003	0.029	0.052	0.024	0.005
	(0.017)	(0.025)	(0.034)	(0.029)	(0.053)
Manufacturing workers per capita (in log)	0.034	–0.016	–0.022	–0.020	0.130
	(0.026)	(0.027)	(0.036)	(0.031)	(0.057)
Seoul special city	–3.583	–4.278	–4.498	–1.210	–1.356
	(0.100)	(0.110)	(0.146)	(0.119)	(0.211)
Six metropolitan cities	–0.865	–0.913	–1.016	–1.006	–0.652
	(0.076)	(0.084)	(0.114)	(0.090)	(0.159)
Constant	3.452	3.025	2.411	3.119	4.586
	(0.222)	(0.208)	(0.277)	(0.239)	(0.429)
$F(9, 206)$	1,198	1,200	686	330	114
Adjusted R^2	.980	.981	.966	.932	.826
Root mean square error	.317	.335	.451	.393	.708

Note: Based on weighted least square regressions where the weight is the total population in each municipality. The dependent variable is the total transfers per capita in log. The number of observations is 216. The numbers in parentheses are in standard errors.

(he later won the presidential election held in December 2002). The period when the then-incumbent President Kim Dae Jung compiled the last budget under his administration coincides with the post–primary election campaign period. Kim Dae Jung had to cope with a new reality that his predecessors had never faced: Roh Moo Hyun was originally from Kim Dae Jung's rival region, Gyeongsang. This may have caused Kim Dae Jung and his ruling party to design a new allocation strategy different from earlier periods that in turn led to the 2003 anomaly in regression estimates.[15] Examining Kim Dae Jung's allocation strategy in his final year and the current President Roh Moo Hyun's strategy after fiscal year 2004 is one of the top priorities in our future research. However, it will be necessary to wait a few more years for the budget data under the current administration to be publicized.

Table 4
Pooled and Fixed-Effect Regressions, 1994 to 2003

Independent variables	Model 1 1994 to 1998	Model 2 1999 to 2003	Model 3 1994 to 2003
Winner's vote share	–2.052	–1.873	–1.355
	(0.262)	(0.415)	(0.653)
Winner's vote share (sq.)	2.638	1.802	1.355
	(0.299)	(0.380)	(0.711)
Fiscal independency index	–0.013	–0.012	0.004
	(0.001)	(0.002)	(0.002)
Population density (in log)	–0.523	–0.327	–0.636
	(0.024)	(0.039)	(0.115)
65 or older population ratio (in log)	0.575	0.606	0.293
	(0.070)	(0.089)	(0.139)
Agriculture workers per capita (in log)	–0.028	0.028	–0.044
	(0.011)	(0.022)	(0.029)
Manufacturing workers per capita (in log)	0.013	0.004	–0.236
	(0.018)	(0.026)	(0.072)
Seoul special city	–2.263	–2.879	
	(0.067)	(0.100	
Six metropolitan cities	–1.072	–0.791	
	(0.051)	(0.077	
Number of observations	1,080	1,080	2,160
$F(13, 1066)$	1,491	652	
$F(231, 1928)$			119
Adjusted R^2	.947	.887	.927
Root mean square error	.479	.721	.579

Note: Based on weighted least square regressions where the weight is the total population in each municipality. The dependent variable is the total transfers per capita in log. Year dummies are included in each model. Municipality dummies are included in Model 3. The numbers in parentheses are in standard errors.

Most of the coefficients for the control variables are also significant and show the expected signs. The exceptions are the two variables measuring the industrial structure.[16] The agricultural and manufacturing workers per capita are significant only for 3 years and 1 year (out of 10 years), respectively, and their effects are positive or negative. In Korea, the industrial structure of each municipality may be politically irrelevant when the government allocates total transfers.

We also ran regressions using pooled data for each administration to produce more efficient estimates and found similar results (Models 1 and 2 in Table 4).[17]

The R^2 statistics are very high: .947 for the 1994 to 1998 data and .887 for the 1999 to 2003 data. Like the results of cross-sectional regressions, the coefficients of the winner's vote share are negative, and the coefficients of its squared term are positive. The magnitudes of these coefficients are slightly smaller during the Kim Dae Jung period than during the Kim Young Sam period. However, the effect of the winner's vote share on budget allocation is highly significant in both periods.

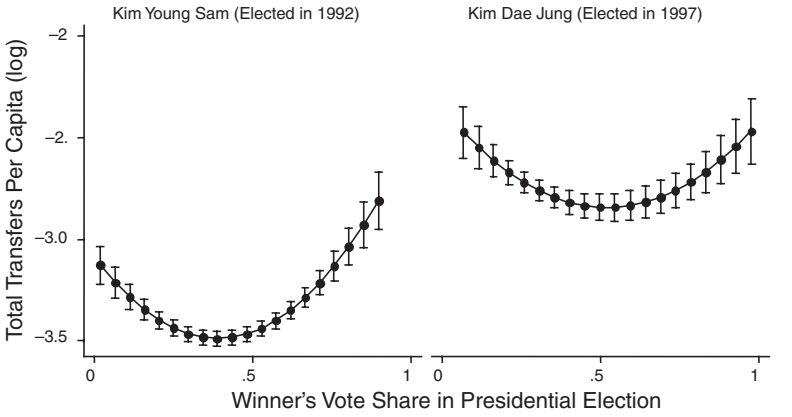
To visually interpret the effects of the winner's vote share on total transfers, we conducted a set of postestimation analyses. The results are shown in Figure 1. The vertical axis of each panel is the predicted value of the dependent variable. A dot and a vertical line indicate the mean and 95% confidence interval of prediction, respectively, for a given value of the winner's vote share. The prediction is based on the coefficient estimates of Models 1 and 2 in Table 4, and all variables except the winner's vote share and its squared term are held constant at their means.[18] Both panels show the *U*-shaped relationship between the winners' vote share and the per capita transfers under both the Kim Dae Jung and Kim Young Sam administrations. This result supports our hypothesis. It is important to note that each curve is drawn within the observed range of the winner's vote share. A wide variation in this causal variable helps us detect this uncovered pattern of distributive politics.

Finally, we pooled all data to run a fixed-effect regression. The results are shown in the last column of Table 4. This model predicts 92.7% of the variation in the total transfer per capita. Even after controlling for all year-specific factors and all municipality-specific factors, the winner's vote share has a negative effect on the total transfers per capita, and its squared term has a positive effect. These variables are significant at the 5% and 10% levels, respectively, but by dropping the anomalous year 2003, these coefficients become highly significant at the 1% level.

Conclusion

Several theoretical and practical implications arise from this study. First, a broader theoretical implication is that country-specific institutional and cultural factors have an impact in shaping the nature of distributive politics—how politics distorts the outcomes of distributive policies. A recent series of cross-national studies by Persson and Tabellini (2000, 2003, 2004a, 2004b) shows the importance of political institutions on policy making. It would be desirable for these cross-national studies to be combined with country-specific

Figure 1
Predicted Marginal Effects of the Winner's Vote Share



Note: Each dot and vertical line indicates the mean and 95% confidence interval of prediction. The predictions are based on Models 1 and 2 in Table 4.

detailed studies. In particular, further comparative studies on various kinds of presidential systems are necessary to incorporate institutional variations such as effects of presidential terms, the executive–legislature relationship, and the relationship between the incumbent and the presidential candidate.

Second, numerous studies on economic policy making in Korea have argued that during the high-growth period under the authoritarian regimes, the Korean government's budget making was based on functional aspects rather than political calculation. However, by demonstrating that Korean presidents interfered with distributive policy making for their own political benefits, our study suggests that the institutional foundation of politically neutral policy making has rapidly eroded in the postdemocratization era.

Third, we also found that a Korean president's dominance in the budget-making process essentially stemmed from the legislative branch's inability to counterbalance Korean presidents over budgetary matters. This poses a daunting challenge to nascent Korean democracy. To nurture its ability to properly check the president, the National Assembly needs to overcome several obstacles, such as minimizing interparty conflicts in the budgetary review processes and developing institutional arrangements that help to develop individual legislature members' expertise.

Notes

1. Kwon (2005) examines the way in which national subsidies are distributed at the levels of provinces and cities. National subsidy, however, is just one type of intergovernmental transfer influenced by political factors. To get a fuller picture of distributive politics in Korea, we add local allocation tax and local transfer tax and use total transfers from the central to local governments as our dependent variable.

2. It is not obvious what the signs of coefficients for Kwon's (2005) independent variables can be, if the president's allocation strategy is to direct larger amounts to his own turf and his rival's.

3. Some scholars maintain that distributive policies in Korea were apolitical under the authoritarian regimes (Jun, 1995; Kihl, 1973). In following the developmental state thesis, they argue that budget allocation was insulated from political interference during the high-growth period. However, as Jun (1995) notes, the Roh Tae Woo government, the first democratic regime in Korea, began to take political considerations into account. In line with this, we assume that in the postdemocratization era, the nature of distributive policies in Korea has drastically changed to display more political features. Testing the presidents' political incentives under the authoritarian regime is a fruitful area of research but goes beyond the scope of this article.

4. In the 1992 and 1997 elections, the top two out of a total seven candidates received 75.7% and 79.0% of votes, respectively. Therefore, a relative vote share of near 60% in a particular region is undoubtedly regarded as a high vote concentration.

5. For more comprehensive explanations about the causes and consequences of regionalism, see Cho (2000), Jaung (2000), M. H. Kim (1987), M. J. Kim (1990), Y. H. Kim (1990), and S. N. Moon (1990).

6. Having a successor in power also helps the incumbent avoid ungracefulness because investigation into political scandals is basically a political decision that requires the next president's approval or consent.

7. A problem may arise when the incumbent's and his successor's regional supporting bases do not overlap, but that is not the case during most of the periods of investigation in this article. We will discuss an exceptional case in the results section.

8. All regressions are based on the weighted least squares method, which corrects the problem of heteroscedasticity and produces more efficient estimates. The weight used is the total population in each municipality in each year.

9. It is worth examining the validity of our hypothesis under the Roh Tae Woo administration (1988 to 1993), the first government inaugurated through direct presidential election since the 1987 democratization. Because of data unavailability, however, we focus on the period under the two post-Roh administrations.

10. Note that we cannot run a fixed-effect regression using pooled data for each administration (covering multiple years) because our key independent variable, the winner's vote share in the previous election, is time invariant during each administration. If we use all data under the two administrations, however, this variable becomes time variant within each municipality.

11. A postmerger municipality code or a predivision municipality code is used for all municipalities that experienced reorganizations. A special case is the city of Ulsan, which experienced both mergers and divisions. All municipalities included in the city of Ulsan before or after municipal reorganizations are assigned a single code.

12. All local finance data used in this article are from *Jibang Jaejeong Yeongam* (Annual Report of Local Finance, 1994 to 2003), the official documents published by the Ministry of Government Administration and Home Affairs, Korea. Population statistics are from *Ingu Jutaek Chongjosa* (Population and Housing Census Report, 1990, 1995, and 2000) published by the Korean National Statistical Office. For each fiscal year, we used data from the most recent census instead of interpolated or extrapolated figures.

13. Election data are available at Election Information System, National Election Commission (http://home.nec.go.kr:7070/sinfo/sinfo.htm).

14. See Note 12 for data sources. We also used *Si, Gun, Gu BaekdaeJipyo 2000* (100 Indicators on Cities, Counties, and Districts 2000), published by the Korean National Statistical Office, for industry data.

15. If this is true, we may need to modify our hypothesis, which assumes that the incumbent's and his successor's supporting bases overlap.

16. The fiscal independency index is also insignificant for fiscal year 1994 but shows an expected negative sign. In other years, its coefficients are highly significant and negative.

17. We tried various different specifications, including an ordinary least squares regression with a lagged dependent variable and a random-effect model. Regardless of model specifications, however, our key independent variables show the expected signs, and their effects are statistically significant.

18. We used software called Clarify developed by Tomz, Wittenberg, and King (2001). For technical and theoretical details, see King, Tomz, and Wittenberg (2000).

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