

**POLITICS AND ECONOMICS:  
THEORY AND EVIDENCE FROM KOREA'S REGIONS**

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Because there is a controversy about the relationship between democracy and development, my objective is to clarify this confused intellectual landscape by using Korean regional data covering the years 1971-2001. This is a period that spans Korea's transition from dictatorship to democracy. In this dissertation, I use civil society organizations (CSOs) as a yardstick for quantifying the level of regional democracy. And, I test for the impact of CSOs on economic growth and key public goods – such as education and health services, and social overhead capital (SOC) – under the dictatorship and under a democracy. The democratization of Korea in 1987 forms the boundary between the autocratic and democratic regimes. And, it also provides a good opportunity to identify and compare the efficacy of fiscal decentralization in the different political systems. Accordingly, estimating the impact of fiscal decentralization on socioeconomic development before and after 1987, I examine whether the level of fiscal decentralization stimulated by democratic system leads to better public goods. First, the least-squares analysis with fixed effects shows that political civil society has beneficial effects on education and health services but unfavorable effects on SOC and regional domestic product, experiencing a democracy. Moreover, nonpolitical CSOs have also had an ambiguous influence on economic outcomes under a democracy. This is consistent with existing literature arguing that the CSOs can be either rent-seekers and/or proponents for social welfare. A surprising finding, however, is that in general political and nonpolitical CSOs are strongly associated with good economic outcomes under the autocracy. I develop a conceptual framework for interpreting these findings. My analysis also indicates that fiscal decentralization is not always more efficient under a democracy. In fact, with the exception of health services and SOC, fiscal decentralization has a negative association with many economic outcomes under a democracy. All results are robust to the specification checks and the panel corrected standard errors (PCSEs) method.

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## 1.0 INTRODUCTION

Democratic transitions have occurred in many developing countries in the twentieth century – for example, India in the 1940s, Czechoslovakia in the 1990s, and the Ukraine more recently. In the course of such transitions, those countries experienced remarkable changes in economic outcomes. Have democratic transitions caused the changes in economic performance? There are many examples suggesting a probable association between democracy and growth. While Russia in the 1990s achieved weak growth under a strong democracy, Russia since 2000 has experienced strong growth under a weak democracy. Chile and China also have shown a weak democracy and strong development. On the other hand, India has had a strong democracy and reasonable growth, but is plagued by corruptions.

Do democracies lead to good or bad economic outcomes? Korea presents an opportunity to answer these questions, because (i) we can compare the economy before and after its democratization in 1987 to understand the role of democracy; (ii) a within-country study allows us to control unobserved heterogeneity; (iii) the eleven regions of Korea<sup>1</sup> allow us to conduct panel analysis, which is a state of the art method (Acemoglu et al., 2008). Therefore, based on the panel data of Korea's regions, this study attempts to discover influence of democracy on growth, public goods and welfare by exploiting time series and cross-regional variation in the scale of civil society for a measure of regional democracy and also by estimating the efficacy of fiscal decentralization in an economy that has become democratic.

There are many arguments about the causal effect of democracy on development. Dick (1974) and Kormendi and Meguire (1985) advocate that democracy (measured by indexes of political freedom) leads to a good redistribution of investment and spurs growth through higher physical and/or human capital accumulation. Dick (1974) has found that democracies have a driving force to stimulate economy with data on 59 underdeveloped countries over 1959-1968. Kormendi and Meguire (1985) have also revealed that democracies have a positive impact on development by analyzing 47 countries during the period of 1950-1977. Furthermore, Acemoglu et al. (2001) document the importance of democratic institutions on income per capita with using the data of 64 former colonies, and then we can know that democracy drives long-run growth. Much other research, in common, also proposes that democracies

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<sup>1</sup> Korea's eleven regions vary by development before and after democratization in 1987 and also vary by democracy before and after 1987.

promote growth rapidly: Pourgerami (1988) with 92 countries across 1965-1984, Scully (1988, 1992) with 115 countries between 1960 and 1980, Barro (1989) through the study of 72 countries over 1960-1985, Grier and Tullock (1989) by the analysis of Africa and Latin America countries during 1961-1980, Remmer (1990) with 11 Latin American countries across 1982-1988, and Pourgerami (1991) on the basis of data on 106 less developed countries in 1986. In addition to them, Wittman (1989) and Rodrik (1997) join the realm of this argument, suggesting slightly different perspectives on the reason that democracy has a positive growth effect. Wittman (1989) has concluded that democratic institutions can be more efficient by reducing the transaction costs between societal members. As the reason that democracy helps economic performance, Rodrik (1997) has proposed that democracies enable long-run performance to be predictable, produce greater political stability, and better cope with adverse shocks.

In contrast with the above favorable attitudes, some other scholars view democracy pessimistically. Examining 35 poor nations in the 1950s, Huntington and Dominguez (1975) have observed that democracy unleashes pressures for immediate consumption. In their viewpoint, the explosion of these demands, in turn, slows the growth of investment. Accordingly, economic development is hindered under democracy. Helliwell (1994) supports them and demonstrates that democracy has a harmful effect on growth through the analysis of data on 90 countries between 1960 and 1985. Moreover, Barro (1996) also shows that democracy has a weakly negative growth effect when investigating recent data of 100 countries during 1960-1990.

But, the debate on the causality between development and democracy is still not resolved. Much research argues that democracy has no growth effect, and rather provides a reverse argument: development affects democracy. Representatively, Lipset (1960) argues that democracy was both created and consolidated by the improvement of wealth and education as well as the process of modernization, industrialization, and urbanization. Therefore, he addresses “development first, democracy later.” Following his influential work, there is an enormous body of theoretical and empirical literature that democracy is a product of socioeconomic development: Cutright (1963), Neubauer (1967), Smith (1969), Hannan and Carroll (1981), Bollen and Kackman (1985), and Arat (1988). They suggest that a certain level of growth is achieved prior to the incidence of democratic regimes and then socioeconomic development promotes the spread and maturity of democracy in the population of world countries, but not necessarily within particular regions. About this finding, some indicate that development is essential for a stable democracy because the affluent distribution of resources lulls the potential of social conflicts to sleep. Also, others say that this is because development revitalizes the education or the communication networks to advance democratic institutions. Still others intimate that this is because development across the overall society strengthens the intensity of the middle class, facilitates the formation of a competent bureaucracy, and so on.

In contrast, Acemoglu et al. (2008) revisit the finding that better economic performance causes democracy, and they show the absence of a causal effect of income per capita on democracy by suggesting that democracy is evolved by not income but historical factors – the cross-country correlation between income and democracy disappears when they control for country fixed effects in a sample of former European colonies. In contrast with this argument of Acemoglu et al. (2008), the data analysis of 174 countries in the period 1960-2005 by Papaioannou and Siourounis (2008) still advocates that democracy is more likely to emerge and consolidate in developed countries. Arguing “no single factor can fully explain the development of democratic institutions in all countries and all periods” (Papaioannou and Siourounis, 2008), they have tried to find another cause of democratic transitions instead of income. Consequently, they document that especially more educated countries experience earlier democratization, even when controlling for historical factors.

Because there is a controversy about the relationship between democracy and development, my objective is to clarify this confused intellectual landscape by using Korean regional data covering the years 1971-2001. This is a period that spans Korea’s transition from dictatorship to democracy. In this dissertation, I use civil society organizations (CSOs) as a yardstick for quantifying the level of regional democracy. And, I test for the impact of CSOs on economic growth and key public goods – such as regional GDP, immunization, mortality, hospitals, hospital sickbeds, roads, bridges, water supply, teachers, and primary schools – under the dictatorship and under a democracy.<sup>2</sup> The underlying rationale behind this choice of specific indicators for economic outcomes is, as the existing literature has pointed out, that resource allocation and public benefits originated by the provision level of public goods are closely related to the level of socioeconomic development.

To measure the level of democratic practice different across regions<sup>3</sup>, I consider the local scale of civil society. Its rationale is based on the fact that the expansion degree of civil society suitably reflects the scale of democratic political activity among certain types of voluntary associations. In my work, civil society organizations (CSOs) refer to the varied forms of social non-profit-seeking organization that lie between the individual and the government. So, they manifest themselves in an almost infinite variety of social groups ranging from sports clubs to political parties. I distinguish such CSOs into the two types, then: political and nonpolitical groups. Political groups are all kinds of associations that make a political participation for democratization, democratic governance, civil liberties, the reform of civil awareness and political culture, and social/economic reform and development. On the other hand, nonpolitical

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<sup>2</sup> Some caution is necessary here. First, I seek to provide evidence for the effect of civil society on social and economic development to look into the growth effect of democracy, because the depth of civil society becomes a good proxy for the level of democratic practice. Secondly, I do not imply that socioeconomic growth has no effect on democracy.

<sup>3</sup> Such variation across regions is due to a regional difference in the situation of political competition between opposition party and government party, the distribution of intellectuals and universities, and the education level.

groups are the associations that are essentially focused onto personal or within-community matters, rather than broader public and political issues. These groups include sports clubs, recreation clubs, hobby groups, study groups, health care groups, literary circles, alumni associations, and the like.

During an autocratic period prior to the 1987 democratization, Korean CSOs made efforts to promote civil awareness and to develop their own civic community. They would raise the objections to oppression from military government, and they would initiate protest movements in response to government and military oppression. However, the leaders of the authoritarian regime viewed that CSOs threatens their power. The reason is that such civil activities were not helpful for the rapid central-government-led economic development which the government wanted even at any expense of civil liberties, human rights, and democracy. In those days, the dictatorial government desired the instant and visible achievement in order to acquire political legitimacy and national support which had been forfeited of the military takeover. As a result, the anti-regime activities of CSOs for citizen advocacy were legally punished as well as strictly prohibited, and subsequently many Korean CSOs (including trade unions, business organizations, teachers' organizations, and major service organizations) had to defend and back up government policies against the people. In this sense, during a pre-democratization period, political and nonpolitical civic associations did not reveal a big difference in their roles. Like this, communicating with citizens as a transmitter for the government seemed to be unavoidable for civic groups to organize and protect themselves. That would be regarded as a rent-seeking activity of the then CSOs. For instance, trade unions had a symbiotic relationship with the autocratic government – they vindicated government policies and the government supported them on the basis of a special law (Joo et al., 2006). For those reasons, the dictatorial regime managed to accomplish and maintain its development goals effectively without strong opposition from the people. Civil societies in the autocratic system have not been well understood so far. Appreciating them through the case of South Korea will be thus important for places where the transition should occur shortly, particularly like North Korea.

In 1987, the explosive protest movement for democracy toppled military dictatorial regimes at last. Civil societies started experiencing a dramatic explosion under these circumstances. Moreover, civic organizations as a transmitter for the then government became improved to function for their own communities and members, by other CSOs and their strong networks which were built newly around democratization. During a post-democratization period, civic associations were very independent of the government's influence. It was able to be possible, because political and nonpolitical civil groups had multiple sources of funding like competing parties or industries. In addition to that, inaugurating a democracy, the government did not monopolize information and so civil societies did not need to lean on government information. Based on much more information from non-government sources, civil societies built and sustained democratic and well-governed nation that responds to the needs of the people. A large

variety of CSOs valued the importance of contribution of citizens as donators and volunteers and played a bridge role between citizens and government by helping them to participate actively in the agenda setting and decision-making processes of national and local affairs. In the 1990s, Korean CSOs enlarged social networks more with solidarity, so that they came to promote their roles to audit and monitor the governments and even participated in the policy-making process. But, political and nonpolitical associations indicated a notable difference in the concentration of political activities. Specifically, political groups led to a prompt and active participation of citizens. Also, some leaders of political groups were recruited as ministers and heads of governmental institutions, and others were elected as national legislators and local leaders. Accordingly, political groups were able to be more powerfully involved in the community issues through much broader public issues. Like CSOs under autocracy, CSOs under democracy conducted rent-seeking activities as well. However, those activities do not have an identical source in the sense that CSOs under autocracy were motivated to protect themselves from the government's suppression. In contrast, CSOs under democracy took part in conspiracies among public officials and private contractors to extract excessive political and economic profits from the government. As rents produce deadweight losses to overall economic welfare, CSOs should have a harmful impact on development as a rent-seeking coalition (Olson, 1982; Portes and Landolt, 1996; Schamis, 1999; Skidmore, 2001).

Since the 1987 democratic transition of Korea<sup>4</sup> forms the boundary between the autocratic and democratic regimes, it also provides a good opportunity to identify and compare the efficacy of fiscal decentralization in the different political systems.<sup>5</sup> As centralization failed in many countries, decentralization has been recently advocated worldwide with an eager desire for welfare increase and economic development. Especially, a large number of developing countries have experienced fiscal decentralization at the growth stage during the last three decades: the decentralization of fiscal decision-making authority and the economic reforms in Asian countries as well as in Latin American countries (Enikolopov and Zhuravskaya, 2007). However, the arguments for and against decentralization are

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<sup>4</sup> In its modern history before 1987, Korea had been a highly centralized authoritarian nation. The local assemblies were dissolved, and all governors and mayors were appointed by the central government. Political freedom could not be found anywhere in Korea. But, in front of explosive protest movements toward liberty and democracy in June 1987, the authoritarian government could not help accepting the demands of citizens for democratization. This resulted in the adoption of new democratic constitution, which allowed for many democratic reforms with respect to direct election of the president, human rights, press freedoms, guarantee of independence and self-reliance for all levels of society, investigation of administration offices, establishment of labor union, resumption of the institution of local autonomy, changes in tax system, and the like.

<sup>5</sup> Alesina and Spolaore (1997), Beer (2004), Bird and Vaillancourt (1998), and Nickson (1995) argue that decentralization is triggered by democratization. The reason is that the democratic government would face explosive demand for decentralization and tend to be more responsive to it. In addition, Garrett and Rodden (2000), using panel data for the years of 1978-1997, show that democracy is positively related with the degree of decentralization. Panizza (1999) also suggests a similar regression result that the level of democracy is negatively associated with the degree of centralization, using the Tobit model technique.



equally matched in strength. Tiebout (1956), Oates (1972), and Cremer et al. (1994) commonly emphasize that decentralization promotes accountability in government service delivery and improves economic efficiency of resource allocation enjoying a comparative advantage in accounting for the diversity of preferences in the choice of service delivery. Therefore, it is perceived as an engine for economic growth. On the other hand, Bardhan and Mookherjee (2000), Oates (1993), and Prud'homme (1995) are not in favor of decentralization. Bardhan and Mookherjee (2000) point out a smaller scale of service delivery because of high capture of local governments by local elites. Oates (1993) and Prud'homme (1995) stress that local bureaucrat's corruption may be rather stirred up by decentralization. Also, Prud'homme (1995) argues that decentralization may depreciate cost-effectiveness of the delivery system due to better economies of scope and economies of scale at national level. This debate motivates us to give attention to fiscal decentralization and its growth effect. And then, we may be expected to ask and answer the questions of "when taking into account the importance of political institution and system, is fiscal decentralization good or bad?" and "does the practice of democracy stimulate fiscal decentralization to result in more efficient governance, higher economic growth, and better public goods?" Accordingly, estimating the impact of fiscal decentralization on local development before and after democratization, I examine whether the efficacy of fiscal decentralization is greater in an economy that has become democratic.

I here notice that there may be a room for doubt about the status of Korean fiscal decentralization under the authoritarian regime, because Korea had been characterized as a centralized country without political decentralization (*e.g.*, sub-national government elections for governors, mayors, and local council members) until amending the Constitution for the restoration of local autonomy as the immediate consequence of the 1987 democratization. But, as Oates (1972) says "for an economist, however, constitutional and political structures are of less importance: What is crucial for him is simply that different levels of decision-making do exist, each of which determines levels of provision of particular public services in response largely to the interest of its geographical constituency", a fiscally decentralized feature was able to be still found in Korea during the era of authoritarian system even if it was not quite strong. Reasonably, there was more or less improvement in the fiscal decision-making authority of local governments, as rapid regional development in the 1970s and 1980s increased the demand for financing local public services.<sup>6</sup>

As a consequence of empirical analysis, first, the least-squares analysis with fixed effects shows that political civil society has a beneficial effect on education and health services but an unfavorable

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<sup>6</sup> Along with the institutional events and statistical data descriptions related to fiscal decentralization in Chapter 1, Figure 19 assures once again that Korean fiscal decentralization was not discontinued under dictatorship and has improved remarkably after democratic transition in 1987.

effect on social overhead capital and regional domestic product, experiencing democracy. Moreover, nonpolitical CSOs have also had an ambiguous influence on economic outcomes under a democracy. This is consistent with existing literature arguing that the CSOs can be either rent-seekers and/or proponents for social welfare.<sup>7</sup> A surprising finding, however, is that in general political and nonpolitical CSOs are strongly associated with good economic outcomes under the autocracy. I develop a conceptual framework for interpreting these findings. My analysis also indicates that fiscal decentralization does not always lead to the better economic growth and provision of public goods under a democracy, even though its different effects are offset across dictatorship to democracy in the long-run economy and so only a single positive effect appears to be exerted. In fact, with the exception of health services and SOC, fiscal decentralization has a negative association with many economic outcomes under a democracy. All those empirical results are robust with respect to the specification checks by the inclusion of additional covariates and the different econometric analysis technique, especially powerful in the panel-data analysis, the panel corrected standard errors (PCSEs) method. It implies that democracy appears to influence social and economic development ultimately.

This study has several meaningful contributions. First, because Korea represents a borderline circumstance between dictatorship and democracy, a natural experiment of such a country contributes to testing the effect of democracy on social and economic expansion. Especially, this work provides an insight into the consequence of political factor when taking into account the development in Korea. To the best of my knowledge, there have been, so far, few efforts to systematically analyze the actual effects of political regime on the overall public sector in Korea.

Second, the rich data from all of Korea's geographic territories enable panel data analysis about the cause of public goods provision and economic growth. In comparison with the cross-country analysis, the estimates of within-variation analysis are less likely to be biased due to individual unobserved heterogeneity, because socioeconomic disparities are much less pronounced within a country. What is more, Korea consists of racially and ethnically homogeneous regions with a single language and it does not have even the local dissimilarity due to cultural or religious cleavages. Hence, this study makes some advance in evaluating the dynamic growth effects of democracy more objectively than the cross-country research which meets with the unobserved and more striking distinctions in cultural, historical, and institutional characteristics (across countries).

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<sup>7</sup> The comparison of the civil society coefficient estimated in each of different political systems has revealed that civil society makes a differential effect over the two regimes — the point estimate of civil society coefficient has a significant shift in magnitude across the years prior and posterior to democratic revolution. This is because not only democratic transition accompanies a change in political institutions intertwined with the socioeconomic roles of civil society, but also civil society is engaged in rent seeking.

Third, this paper uses the scale of civil society to measure the regional level of democratic practice. Until now, most research has employed the cross-sectional measures such as those from *Polity IV* and *Freedom House* to measure it. In such restrictive research circumstance, this study proposes an alternative measure to estimate a degree of democratization in both national and subnational levels.

The remainder of the dissertation is organized as follows. Chapter 1 provides the overview of the politics and economics of Korea before and after its democratic transition in 1987. Therefore, I manifest what shifts were made in its political and economic systems (including fiscal decentralization) from a pre-democratization through a post-democratization. Chapter 2 discusses about the relationship between democratic practice and civil participation, considering the social capital of civil society. We then pay attention to the socioeconomic effect of different types of civil society. In Chapter 3, the empirical results about the relationship of economics with politics are presented. This chapter also contains the specification of variables, their data sources, and the analysis methodology, and then the concluding remarks follow it.

## **2.0 CHAPTER ONE**

### **OVERVIEW OF THE POLITICS AND ECONOMICS OF KOREA: BEFORE AND AFTER DEMOCRATIZATION**

After a long ruling of authoritarian regime and the continuous civilian protests against a dictatorship, Korea came to face democratization in 1987. On June 29, 1987, the then-ruling party leader Roh Tae-Woo announced his 'Democratization Declaration' and promised democratic constitutional reforms, which included a direct presidential election and the resumption of local autonomy. Accordingly, 1987 is described as a milestone year for democracy in Korea. The 1987 democratization of Korea is a major event when there was a switchover from a dictatorial system to a democratic system. This event thus provides a great opportunity for a comparative study in the sense that it allows us to appreciate what noteworthy socioeconomic changes Korea experienced as a result of democratic transition. The current chapter seeks to give a chance to realize more sensibly what shifts were made in Korea from a pre-democratization through a post-democratization. In this chapter, we will discuss the changes in politics, fiscal decentralization, and economics of Korea before and after democratization. We then find that big political and economic changes have occurred before and after 1987.

#### **2.1 POLITICAL REGIME OF KOREA BEFORE AND AFTER 1987 : AUTHORITARIANISM VS. DEMOCRACY**

For almost three decades from 1961 through 1987, Korea was under the rule of authoritarian governments. The military junta was very powerful due to the absence of countervailing elites as a result of war and the continuous tense confrontation with North Korea. However, the dictatorial government did not acquire the legitimacy of regime. To overcome the lack of legitimacy and obtain public supports, the government needed to make a noticeable achievement. Thus, it paid all attention to economic development and

fostered the export-oriented industries in order to attain the rapid industrialization and national economic growth. It even implemented pro-business policies under the legal framework of capitalism.

Even though there was such economic freedom, political participation was restricted. Local residents could not elect their own governor and mayor<sup>8</sup>, and further citizens could not vote for the President of the Korea. Local leaders were appointed only by the central government and a presidential election was conducted by the electoral college in the form of an indirect election. Also, to depoliticize society as well as control dissent against government and policy, authoritarian government closed down civic union and prohibited popular protest and demonstration. What is worse, the National Assembly was tightly controlled and the judiciary was subject to executive intervention (Grugel, 2002).

But yet, the oppressive measures of dictatorial government did not block the societal recognition and demand for the promotion and protection of free political party activities, human rights, a free press, and a voting right under the globalization with pro-democracy pressures. Consequently, around the mid 1980s, the autocratic government suffered from widespread popular protests with support from a range of social groups, including students, intellectuals, farmers, and the urban poor. At last, in June 1987, it came into confronting explosive protest movement of Korean citizens demanding democracy. Since not only the perennial legitimacy crisis of the government kept threatening the regime but also Korea was a host of the 1988 Olympics, the despotic government could not help yielding. World focused on Korea, and the continuing of civil unrest would have sabotaged the Games, thereby tarnishing the image of the nation and making a mockery of the regime succession (Cotton, 1989).

On June 29 in 1987, Roh Tae-Woo, the chairman of the ruling party (Democratic Justice Party), proclaimed an eight-point plan for democratization in the 29 June Declaration. Three days later, President Chun Doo-Hwan publicly pledged that he was going to fully accept all the liberalizing measures in Roh's declaration, including a direct presidential election and the resumption of local autonomy, with principles of independence and self-reliance guaranteed for all levels of society and the forth.<sup>9</sup> Subsequently on October 12 in 1987, the National Assembly approved a new constitution in the margin of 254-4, which reflected the voices of both government and opposition parties. And it was agreed by approximately 93% of the public votes in the national referendum on October 27, 1987. The provisions of the new

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<sup>8</sup> The military government considered the local officials elected by residents as one of the main sources of political corruption and social disorder (Kwon, 2003).

<sup>9</sup> In addition to two points described above, the followings are contained on the 29 June Declaration: (i) revision of laws to guarantee free and fair presidential elections, (ii) amnesty for Kim Dae-Jung and restoration of his civil rights, and all political prisoners to be released, (iii) guaranteed respect for human rights, (iv) a free press, including newspapers to base correspondents in provincial cities, and a withdrawal or revision of the Basic Press Law, (v) guarantees that political parties could carry out legal activities in an unfettered way, and the fostering of a political climates in which dialogue and compromise prevail, and (vi) a nationwide campaign against violent crime and corruption (Saxer, 2003).

constitution allowed for many democratic reforms with respect to elections, press freedoms, executive powers, and investigation of administration offices, establishment of labor union, and the like<sup>10</sup>.

After 1987 in Korea, many opportunities were unfolding for citizen political activity and dissent, which were unprecedented in the nation's history (Cotton, 1989). A direct election system made president and administration popularly elected, thereby succeeding in acquiring the political legitimacy of government. Moreover, owing to political participation freedom on democratic practice, civil society grew immensely in all qualitative and quantitative aspects – the number of civil society organizations increased explosively and their capability was improved to check the government and inform social needs efficiently even if that is difficult to gauge exactly.

## **2.2 POLITICS CHANGE BY THE TRANSITION TO DEMOCRACY**

### **2.2.1 Election System**

The democratic revolution, which terminated the authoritarian government in June 1987, led to the revision of the constitution with approximately 93% of the voting public in the national referendum on October 27, 1987. The provisions in the new constitution stipulated the role of local government clearly - Article 117 states that “Local governments shall deal with matters pertaining to the welfare of local residents, manage properties, and may establish within the purview of the laws and decrees, rules and regulations regarding local autonomy.” This amended constitution provided stepping-stones towards the direct election system for local council members and chief executives.

Under the authoritarian regime, the local assembly was dissolved and both governor and mayor were appointed by the president. An attached clause of the *Yusin* (Revitalization) Constitution, amended in 1972, even formalized the suspension of local assembly, stating that the local assembly should not be constructed until the reunification of Korean peninsula was achieved. Since then through 1987, all regional leaders were appointed for the administrative convenience and political reason of central government, even though a successive dictatorial government took a slightly different attitude toward the local assembly. It declared that it would soon reinstate local councils and allow local residents to participate in direct elections of regional leaders. The new constitution, which was promulgated and enforced on October 27, 1980 after it was approved by 91.6 percent of the votes in a referendum and amended in 1980, also stated that the local council should be restored, based on their degree of financial

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<sup>10</sup> For more detailed explanation about the contents, see Saxer (2003), Billet (1990), and Cotton (1989).

self-sufficiency. It also said that the specific timetable for the restoration of local councils would be decided by the enactment of law. However, towards the end of the government, the law was not made yet.

On April 6, 1988, the Korean government initiated a revision of the Local Autonomy Act. By law, local governments were no longer the branches of central government. Throughout the presidential campaign in 1987 (after political democratization), the restoration of local autonomy was one of the biggest campaign pledges of the then-ruling party. In March 1991, the central government finally held a direct election for lower-level local council members. In June 1991, another election for upper-level local council members was held.<sup>11</sup> The central government amended the Local Autonomy Act once more on March 16, 1994 and held elections for both local council members and the chief executives in June 1995. Though the chief executives and councilors were to be elected to a four-year term in 1995, the second local election was held in June 1998 for the arrangement of the National Assembly election cycle. The third local election was held in June 2002. Local administrative heads of government are elected for a four-year term for a maximum of three terms. However, the winners of the first term in 1995 were elected to a three-year term, and the four-year terms began since the 1998 elections. The governors and mayors elected by direct popular vote have considerable power over local law, personnel management, and fiscal decision making (Kwon, 2003). The roles<sup>12</sup> of local councilors and chief executives are described in Table 1.

### **2.2.2 Pressure and Intervention from the Central Government**

Before democratization in 1987, since all governors and mayors were appointed by the president and had to get political credence from their supervisor, it was not difficult for the central government to control them administratively. Besides, it had a centralized intergovernmental transfer system as the other pressure source for local governments, as the central government held the rights to decide and execute in the intergovernmental fiscal relationship.<sup>13</sup> During the period of 1971 through 1987, the local government heavily relied on Local Share Tax (LST)<sup>14</sup> and National Subsidy (NS) of the central government. The LST as general grants consisted of General Share Tax (GST) and Special Share Tax (SST). The GST - the

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<sup>11</sup> The election for the chief executive of both levels of local governments was postponed under the rhetoric of ensuring a more stable settlement of the local autonomy.

<sup>12</sup> [Source] United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP), Human Settlements, Local Government in Asia and the Pacific

<sup>13</sup> A central government might use its control over intergovernmental transfers to reward local allies or punish local authorities representing a rival political party, although this is hard to trace from publicly stated policy documents.

<sup>14</sup> Local Share Tax is not the tax imposed to the local government but a type of transfers granted by the central government. Local governments have no constraint to use the funds, once it is allocated by the central government. Accordingly, the LST provides a high degree of discretion to local governments on the side of their expenditure.

10/11 of domestic taxes - was distributed to every local government and its amount got estimated by a fixed formula. The central government established this distribution formula while considering various factors in order to lessen a financial inequality among local governments. However, regarding the SST (the 1/11 of domestic taxes), the central government determined and distributed the amount of grant without specific and detailed decision criteria. Although the GST was based on a definite method of distribution assessment, its formula had greatly complicated properties and procedures to estimate the shared amount of grants. Hence, even the transparency and objectivity of the GST amount was hard to trace from publicly stated policy documents. In other words, the LST had a room to be distributed by the political consideration of the central government differently from its inherited purpose. Also, the dictatorial government determined the statutory share rate of LST on an ad hoc basis – the statutory share rate of 17.6% was abrogated for 10 years by the President’s special statement in 1972 (*‘the President’s August-3rd emergency declaration’*), and therefore the share rate fluctuated depending on the central government’s discretion from 10.95% in 1977 at minimum to 16.37% in 1973 at maximum. Further, the central government did not establish any legalized formula in granting the National Subsidy as well. For that reason, under the authoritarian regime, the NS was another useful tool to control local governments easily and make them follow the policy of the central government.

The Local Autonomy Act (LAA) was enacted in 1988 and was passed by the National Assembly in 1989. Its new provision stipulated that governors, mayors, and local council members would be elected by popular vote. Also, the LAA prescribed the function and the affairs of local autonomy bodies<sup>15</sup>, the authority and duties of the local assembly, and the head of local autonomy body<sup>16</sup> – the local assembly had authority to enact and abolish the ordinance, to oversee its own budget, to approve the settled budget, to perform the delegated affairs of central government, and so on. Therefore, after democratic revolution in 1987, local governments were able to be protected from the pressure and intervention of the central government by law. What is better, they came into being under the intergovernmental transfer system which was modified in a way to minimize central control. Compared with the period before 1987, the statutory allocation rate of the LST was kept at 13.27% of the domestic national taxes through 1998 and at 15% from 1999 through 2003. Also, the distribution method of the fund was determined by a formula based on a budget deficit concept – the difference between basic financial demand and basic financial revenue. This made it possible for local governments to cast a reliable forecast of intergovernmental transfer revenues. Another reform to minimize central control of the intergovernmental transfer system was the introduction of Local Transfer Fund (LTF) in 1991. The funding for this grant was composed by a fixed percentage of three national taxes: 50% of real estate gains tax, 15% of liquor tax, and 100% of

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<sup>15</sup> Clause 3 of Article 1

<sup>16</sup> Clause 3 of Article 5 and Clause 1 of Article 6, respectively.



phone tax. Compared with the LST, the usage of the LTF was assigned in advance and it was initially allocated only to projects related to local road maintenance. But, the provisions attached to the LTF were looser than those relating to NS and so were extended to projects such as water pollution prevention, agriculture and fishery development, juvenile education, and regional development. Because the LTF was limited to these specific projects, local governments had no discretionary power to use it but also there was the least room for central government to intervene.

### 2.2.3 Tax System<sup>17</sup>

Under the authoritarian regime, tax reforms had been conducted over 1973 and 1976. As illustrated in the attached spreadsheet (Figure 1), a change in many tax bases was made especially in 1976. However, those aimed at achieving the policy goals of central government, rather than at enhancing the decision-making authority of local governments in both financial and administrative terms corresponding to the growing demands of localities.

On the other hand, right after democratic revolution in 1987, the central government altered the local tax system to purely enlarge local tax revenues. For instance, Tobacco Sales Tax was transferred from national tax base to local tax base in December 1988. The immediate impact of this change on local finance was that local governments' tax revenue share of total local revenues increased from 30% in 1988 to 39% in 1989 (Kwon, 2003).<sup>18</sup> For other examples, a Horse-race Tax in 1988, a Fire-fighting Facilities Tax in 1991, and a Regional Development Tax in 1991 became part of the province tax base (transferred from county/city tax to province tax). To cast a glance for the effects of those reforms, Figure 2 illustrates an overall trend of the local tax structure over 1970-1998, comparing with the self-reliance rate<sup>19</sup> of local government.

Additionally, the Local Tax Act that was passed by the National Assembly in 1991 allowed local governments to set tax rates within certain boundaries (usually plus/minus 50%). Before the pass of this Local Tax Act, the head of local governments who attempted to alter tax rates must get approved by minister of Ministry of Home Affairs. However, through the amendment of the Local Tax Act, local government became to have discretionary power to set tax rates by the decision of local assembly.

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<sup>17</sup> For the overview of local tax system change, refer to Figure 1 along with Table 2. Those are from various years' *Financial Yearbook of Local Government* as well as data compiled with various documents of the Ministry of Government Administration and Home Affairs (MOGAHA). On the basis of Kwon (2003), I rearranged the reforms related to tax system.

<sup>18</sup> Additionally, the measures such as expansion of an object of tax and increase in tax rates are included in the reforms (Yoo and Han, 2005).

<sup>19</sup> [source] Kwon (2003); Self-reliance rate = (own-source revenue) / (total local revenue). This rate means the degree of fiscal independence of a local government.

Consequently, as of 1998, local government was able to have the power to determine tax rates for 10<sup>20</sup> out of total 15 tax items (Ahn, 1998). Then, a variation in tax rates across local jurisdictions is minor, because local governments fear that a relatively high tax rate might give rise to residents' tax resistance and relocating decisions (Kwon, 2003).

#### 2.2.4 Local Spending Structure

Local public expenditures consist of five categories<sup>21</sup> according to the use of funds, and they are (i) general administration, (ii) social development, (iii) economic development, (iv) civil defense, and (v) support and other expenditure.<sup>22</sup> After democratization, not only as regional governments were entitled to more discretionary authority to manage their society but as the society paid more focus on welfare and the quality of living, the local expenditures have a different picture in their arrangement and employment along with the commencement of democracy.

Figure 3 shows a change of local spending structure using the local share (on each spending) of total local expenditure, measured by a percentage over 1971-2001. Economic development expenditure accounted for more than 40% of total local funds before 1987 and local governments spent most on economic development until 1999 in spite of a relatively gradual decreasing trend. Local spending on general administration also had a downward trend (from 24.62% in 1987 to 16.63% in 2001). But, a closer look discloses that its decreasing pattern began from 1986 while there were minor increases until 1985. For social development expenditure, local governments experienced considerable changes – its share, which was only 13.16% in 1985, tremendously rose up to 40.35% in 2001. Moreover, since 1985, an increasing rate of the share was outstanding. Unlike three categories discussed above, both civil defense and other expenditure were comparatively constant over years.

The intertemporal change in local spending structure reflects the local government's order of priority in expenditure concentration, and thus it is intertwined with the differentiated development levels in the various spheres (*e.g.*, industry, education, health, and so on) of regional economy. For that reason, we need to observe carefully the spending decision of local government before and after 1987.

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<sup>20</sup> Acquisition tax, registration tax, inhabitant tax, automobile tax, tobacco tax, city planning tax, common facility tax, business place tax, regional development tax, and butchery tax

<sup>21</sup> Before 1996, the classified items were a little different but I rearrange those into 5 categories so as to make it easy to compare.

<sup>22</sup> Again, legislation and connection of election and general affairs administration belong to general administration. Social development includes education and culture, health and improvement of living environment, urban development, social security, and housing and development of local community. Economic development makes up of the following sub-items: agriculture and fishery, regional economy development, and conservation and development of country resources. Civil defense management and fire fighting management belong to civil defense.

## 2.3 FISCAL DECENTRALIZATION

### 2.3.1 Relative Fiscal Status between Central and Local Governments

Contrary to other countries that have experienced “nearly overnight” decentralization like Bolivia (Faguet, 2004), Korea has undergone a gradual but incessant process of fiscal decentralization. Although the *junta* in 1962 had dissolved local assembly, the existing system and framework of fiscal autonomy remained for administrative convenience of the central government. In the immediate consequences of the 1987 democratic revolution, local autonomy came to have legal force in substance and fiscal decentralization were fully recovered in 1991.<sup>23</sup>

Figure 4 gives an overall trend of the fiscal decentralization of local government between 1970 and 1998 at a glance.<sup>24</sup> As a whole, the provincial government share of total government spending improved from 24.1% to 39.1% during 30 years in proportion to an increase in the self-reliance rate. Under the authoritarian regime, it rose 8.8 percentage points at the about 14 percentage-point gain of the self-reliance rate. On the other hand, under democratic regime, it grew by 9.4 percentage points at the approximately 16 percentage-point boost of the self-reliance rate and retained the high level in the 1990s despite a downward trend.

In order to grasp obviously a trend of the fiscal decentralization of local government, it is another good approach to analyze the fiscal status of central and local governments separately. To do so, I examine a long-run change in their spending pattern measured by the ratio of government spending to GDP from three different accounts: the general account (G/A), the special account (S/A), and the consolidated account which is the sum of the general and special accounts (G/A+S/A). Figures 5 – 7 present the spending ratios of central and local governments to GDP in each budget account. As shown by Figure 5, the local spending-to-GDP ratio from the G/A, which was 5.79% in 1971, went up to 12.66% in 2001 indicating substantial progress in terms of fiscal decentralization. We can also see that its considerably steep upward propensity appears after democratic transition in 1987.<sup>25</sup> With respect to the

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<sup>23</sup> Yet, there seem to be still some limitations. Before the local governments compile their own budget, the central government annually distributes the so-called ‘guidebook for compilation of the budget’ and this guidebook includes contents that might undermine local autonomy: (i) description of the expenses which should (or should not) be put in the budget, (ii) upper and lower limit in the cost for individual items, and so on.

<sup>24</sup> [source] Kwon (2003) ; Self-reliance rate = (own-source revenue) / (total local revenue). This rate means the degree of fiscal independence of a local government.

<sup>25</sup> Figure 7 shows the same pattern as Figure 5, even though it is provided by the consolidated account (G/A+S/A).

S/A (Figure 6), there is a slight increase in the local spending-to-GDP ratio from 1.59% in 1971 to 3.58% in 2001 and especially a sharp increment is observed after 1987. But, its pattern after 1987 is somewhat different from that of the G/A – the spending ratio in the S/A declined from 1994 to 1998 while that of the G/A kept rising on until 1999.

Now we use the indicators most commonly employed in the literature on fiscal decentralization to go over the degree of fiscal decentralization of regional government. First, Figure 8 illustrates the fiscal decentralization indicator based on government spending in each budget account, which is measured by the fraction of local spending over central spending. As of 2001, the level of fiscal decentralization from the G/A was 70.05%, which shows an almost 40 percentage-point increase in comparison to 30.07% in 1971. Then, its increasing rate after the 1987 democratization is remarkable: an about 10 percentage-point rise from 1971 to 1987 but an approximately 30 percentage-point boost from 1987 to 2001. By contrast with the G/A case, the level of fiscal decentralization from the S/A depicts much more fluctuating pattern, even if it grew over the past three decades as well. Roughly speaking, it indicates a reversed U-shape after 1987: an increment between 1989 and 1992 (34.35%-72.65%) and then a drop from 1993 to 1998 (72.65%-14.96%). Second, Figure 9 describes the patterns of fiscal decentralization based on government revenue, which are measured by three alternative methods: (i) the share of local tax revenue in total local revenue, (ii) the fraction of local non-tax revenue over total local revenue, and (iii) a self-reliance revenue rate<sup>26</sup> (*i.e.*, the ratio of own-source revenue to total revenue; the opposite concept of total transfer ratio). The last one implies the combination of (i) with (ii). Hence, those three indices of fiscal revenue decentralization are likely to describe a similar pattern – a double-peak shape. But, unlike the pattern of fiscal expenditure decentralization, an increasing rate of revenue shares is greater in the pre-democratization period.

### 2.3.2 Fiscal Decentralization in Provincial Perspective

The previous section has exhibited the rising trend of fiscal decentralization of aggregate local government, especially before and after democratic revolution. Based on that work, we now go over fiscal decentralization by each local government. Provincial comparison reveals a variation in fiscal decentralization level across localities and helps us more clearly perceive what change the democratization in 1987 led to in the pattern of fiscal decentralization. Our attention is thus placed on

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<sup>26</sup> For local authorities to have the capacity to perform effectively, Oates (1993) put an emphasis on their “own independent sources of revenues” with the warning that excessive intergovernmental transfers can weaken the autonomy. In this sense, “self-reliance” ratio can be a reasonable proxy for the degree of fiscal decentralization. Indeed, Korean government officially uses this index to measure the vertical imbalance between central and local governments.

spending of eleven provincial governments at the general, special, and consolidated accounts in two periods of 1971-1987 and 1988-2001.<sup>27</sup>

First, we examine the ratio of each local government spending to central spending during the two periods. Presenting apparent variations between provincial expenditures, this analysis can also provide the improvement of fiscal decentralization over 1971-1987 and 1988-2001 in all of three accounts. In Table 5, we look at a remarkable increase in the relative spending of all 11 local governments across periods. For example, Gyeonggi demonstrated a significant increase in the spending of three accounts from 4.70% to 13.03%, from 2.54% to 7.44%, and from 3.86% to 10.82%, in the general, special, and consolidated accounts respectively. North Gyeongsang had a large change from 4.67% to 8.54%, from 1.95% to 3.88%, and from 3.62% to 6.70%. In other words, it is observed that a provincial spending ratio, which indicates the degree of fiscal decentralization, grew after 1987.

Second, we consider local government spending relative to GRDP (Gross Regional Domestic Product). By doing so, we will be able to see if the increase in provincial expenditure is still evident even after eliminating the effect of improved regional wealth. The ratios of provincial spending to GRDP in Table 6 not only describe their variation among regions but consistently quantify a positive and sizable change between 1971-1987 and 1987-2001 as recognized in Table 5. For instance, Gangwon experienced a large increase from 10.00% to 22.53%, from 2.07% to 4.42%, and from 12.06% to 26.95% in the respective budget accounts. North Jeolla illustrated the same pattern changing from 8.55% to 17.34%, from 1.57% to 5.34%, and from 10.12% to 22.68%. In short, despite considering GRDP, we can still capture the substantial expansion of fiscal decentralization after democratization.

Third, we look into the ratio of provincial spending per capita to central spending per capita. As population grows, government expenditure is likely to increase. Accordingly, dividing the government expenditure by population shall remove a possible distortion in measuring the level of fiscal decentralization in each region. Table 7 depicts different ratios of per capita provincial expenditure across regions both by periods and by budget accounts. Once again, it is remarkable that there exists a large increase in regional spending ratio per capita between the pre-1987 and post-1987 periods. For example, the measure in Seoul rose up from 30.07% to 49.13%, from 35.36% to 37.59%, and from 32.15% to 44.58% in the general, special, and consolidated accounts, respectively. South Chungcheong was faced with a positive change from 37.77% to 78.53%, from 10.82% to 38.01%, and from 27.19% to 62.55%. Alike with other analyses in the above, this alternative approach also identifies the enlargement of fiscal decentralization after a transition to democracy.

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<sup>27</sup> Table 5 shows a complete list of the eleven provincial areas. Expenditure in the general account, the special account, and the consolidated account implies budgetary, extra-budgetary, and consolidated budgetary expenditures, respectively.

## 2.4 ECONOMICS BEFORE AND AFTER 1987

Gross domestic product of a region, Gross Regional Domestic Product (GRDP), is a good measure to assess its productivity and wealth. Accordingly, looking over the intertemporal change in GRDP per capita by eleven geographical territories of Korea, we can read the pattern of local economic growth before and after the democratization.

Figure 10 describes real GRDP per capita across eleven regions from 1971 through 2002. As seen in this figure, the growth of real GRDP per capita reveals regional variation in its magnitude but has a similar tendency in all regions over years. It experiences two fluctuations in the early 1980s and the late 1990s. The first one looks due to the oil shock between 1978 and 1980, and the second one looks because of East Asian financial crisis (commonly referred to as East Asian currency crisis) between 1997 and 1998. Except the depressions caused by those two macroeconomic instabilities, a local economy is showing a steady development in both pre-democratization period and post-democratization period.

But sensibly, through analyzing the growth rate of local economy before and after democratic transition, we can discern clear heterogeneity in economic progress between the two periods. In the Table 3 about the growth rate of real GRDP per capita, each region is characterized by a sizable difference between its growth rates before and after 1987. For example, Seoul, which is a capital city, achieved an economic expansion by 8.35% before 1987. On the other hand, after 1987, it still gained a rapid growth by 5.11% but this numerical value was evaluated with a 3.24 percentage-point decrease. All other ten regions also experience such a large slowdown after democratization in comparison with their economy before democratization. Across these two periods, Jeju even had a sharp decline in the speed of its development by 6.11 percentage points. Although North Chungcheong is indicating the smallest downward trend in the growth rate from 9.35% to 7.75%, the fall of 1.60 percentage points would not be still negligible.

Table 4 manifests that the intertemporal difference in the growth rate of real GRDP per capita, which has been observed from Table 3, is statistically significant on the basis of the two-sample t-test result. Moreover, Table 4 presents other notable shifts in the economics of Korea between pre-democratization and post-democratization periods, while providing the additional two-sample t-test results of ten economic outcome variables. As seen there, all economic outcome variables do not accept the null hypothesis that the difference in their measure across the two periods equals zero, and they are

significant at the 1-percent level except a case of Bridge. That is to say, we can know that the economics of Korea had an important change before and after 1987.

To sum up in this chapter, the civil demonstrations against a dictatorship, which culminated in 1987, thwarted the autocratic government's scheme to extend its power and led to the transition to democracy in Korea at last. This historical event proclaimed the demise of a dictatorial system and the inauguration of a democratic period in Korea, resulting in the democratic constitutional reforms which introduced a direct presidential election system and triggered the resumption of local autonomy. Therefore, the 1987 democratization has enabled us to appreciate the shifts in politics and economics of Korea as a result of democratic transition. In the current chapter, we have discussed the changes in an election system, the power of the central government, a tax system, a local spending structure, fiscal decentralization, the development of economy, and the procurement of public goods. Explicitly, we have been able to find that Korea experienced big political and economic changes before and after democratization in 1987.

## **3.0 CHAPTER TWO**

### **CIVIL PARTICIPATION AND DEMOCRACY**

The current chapter discusses about civil society on the purpose of measuring the shock of democratization and then explains the reason that the scale of civil society has regional variation before and after this political event. In so doing, we study the social capital of civil society as well as the relationship between the practice of democracy and the role of civil society. In addition, considering its social capital, we illustrate how civil society organizations stimulate social and economic development. Korean civil society is characterized by a variety of social capital, and therefore it also plays socioeconomic roles.

#### **3.1 CIVIL SOCIETY AND THE IMPORTANCE OF SOCIAL CAPITAL**

Promoting democracy is the most effective long-term measure for strengthening international stability, reducing regional conflicts, countering terrorism and terror-supporting extremism, and extending peace and prosperity.<sup>28</sup>

*- President George W. Bush*

Democracy can yield a range of tangible benefits to the people of nation by encouraging stability and good governance which are essential for poverty eradication and economic prosperity. Civil society is at the heart of grass-roots (participatory) democracy and contributes to the maintenance and promotion of democracy. As a matter of fact, Verba et al. (1995) and the Community of Democracies (CD) – a coalition of over 120 democratic nations, chaired by Mali – have identified civil society as the engine of democratic change.

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<sup>28</sup> The President's National Security Strategy (NSS), Presidential Action, The White House, Washington, DC, March 16, 2006.



Most commonly, civil society refers to the varied forms of social non-profit-seeking organization that lie between the individual and the government, and manifests itself in an almost infinite variety of social groups ranging from sports clubs to political parties. Since this study seeks to explore the effects on social and economic development of the democratic practice reflected by such various civil participations, there is a need to identify clearly the roles of civil society organizations (CSOs). Ramkumar and Krafchik (2005)<sup>29</sup> suggested their four principal functions as follows:

- CSOs make a great participation on the part of recipients in both planning and implementation.
- CSOs build citizen literacy on public financial management.
- CSOs can monitor and build pressure on the executive to implement audit recommendations and enhance government responsiveness to social needs.
- CSOs have the networks and expertise to detect potential cases of corruption and to report these to citizen.

In other words, the CSOs affect social and economic performance of their government through the roles of social audits (*e.g.*, tracking government expenditures), monitoring the public service accountability, participatory audits, and advocating for transparency in public procurement. The logic of these CSOs' roles can be illustrated by taking into account the concept of social capital. Social capital is an outgrowth of participation in civic associations, for instance trust, tolerance, compromise, and so forth (Putnam, 1993; Seligson, 1999). The World Bank defines the social capital as “the institutions, relationships, and norms that shape the quality and quantity of a society’s social interactions (World Bank, 2000).” This means that it is a motive force in that CSOs participate influentially and effectively – their participatory roles would become titular without any social capital. Interestingly, a few empirical studies have shown evidence for the importance of social capital in the development of the community:

- *Putnam (1993)* – In a comparison of Italy’s northern local governments with those of the south, the northern ones have the greater governmental performance. Their success is because their civil society has a better social capital than the southern ones.<sup>30</sup>
- *Swank (1996)* – One study has found that “communitarian polities” – including social corporatist and Confucianism societies –, which enjoy high levels of social solidarity and organization, experience higher levels of economic growth than non-communitarian polities.
- *Lam (1996)* – The good symbiotic partnership between public agencies and local village associations in rural Taiwan has created an efficient and well functioning irrigation network, which depends upon solid collective action among local farmers.

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<sup>29</sup> Ramkumar and Krafchik (2005) emphasized their participatory roles, especially in a democratic setting.

<sup>30</sup> Putnam (1993) uses 12 indicators of governmental performance to show the positive effect of social capital on governmental performance. The civil society in the northern local governments has a dense network of voluntary associations and a better equality.

- *World Bank (1998)* – A study of aid-financed rural water supply projects found that projects with a high degree of beneficiary participation enjoyed a success rate of 68% while projects with low participation from beneficiaries achieved a success rate of only 12%.
- *Narayan and Pritchett (1999)* – A survey of social capital in rural Tanzanian villages found that a one standard deviation increase in social capital was associated with a 20-30% rise in average household incomes.
- *Heller (1996)* – High levels of social mobilization in the Indian state of Kerala are associated with strikingly enhanced overall social welfare, as compared with other Indian states with similar or higher levels of per capita income.
- *Fountain (1997) & Piorre and Sabel (1990)* – Regionally-based industrial districts featuring clusters of tightly networked, yet often competing, sets of firms in related industries provide a powerful mechanism for innovation and economic transformation.

Based on these studies, Skidmore (2001) introduced two principal pathways about how the social capital of CSOs stimulated development. First, the strong networks of civil societies provide the practical local knowledge that official planners often lack – state attempts to impose standardized recipes for development from above without practical knowledge can lead to the sort of catastrophic and tragic failures (Scott, 1998). For successful development, just as local communities need the resources and expertise provided by agents of the state, public officials need the knowledge and cooperation of local interlocutors. Second, solid social networks facilitate the rapid dissemination of information among members and reduce the asymmetries of information that can otherwise discourage profitable transactions. Fukuyama (1995) also emphasized the importance of social capital for development – the heightened levels of social trust and strong traditions of reciprocity as another social capital of civil society are likely to produce denser and more productive form of civil societies. Therefore, transaction costs are reduced between states and societies, and the construction of a strong and vigorous civil society complements the economic roles played by states. However, as Skidmore (2001) pointed out, all forms of CSOs are not positive in their impact on development as a whole. They can be a rent-seeking coalition: for instance, labor unions use their bargaining power to demand wages increases beyond rises in productivity, and conspiracies among public officials and private contractors to extract excessive political and economic profits from state (Olson, 1982; Schamis, 1999; Portes and Landolt, 1996). Rents produce deadweight losses to overall economic welfare.

## 3.2 CIVIL SOCIETY IN KOREA

Through this section, we examine Korean civil society and its social capital. The historical overview of Korean civil society before and after 1987 will provide a big picture about how civil society has been grown in Korea and what important relationship its growth has with democratic practice. Besides, studying the social capital of Korean civil society and its changes since democratization, we will be able to understand why the depth of civil society is different across regions and over the pre-democratization and post-democratization periods.

The Social capital that Korean civil society has becomes a driving force in that civic associations of Korea play intrinsic roles to promote democratic governance, reinforce government accountability, and develop their community. Yet, even though civic associations hold social capital, we ought not to treat such all voluntary associations the same. Since it is highly likely that different associations would not have equivalent impacts, types of civic associations deserve to be distinguished.

### 3.2.1 Civil Society Organization in Korea: Before and After 1987<sup>31</sup>

A modern civil society of Korea begins from civil associations such as YMCA (1903-present), Young Korean Academy (*Heungsadan* in Korean, 1913-present), and YWCA (1922-present). Under the colonial rule of Japan for 35 years, they critically contributed to national independence with solidarity of citizens and countrywide civil uprisings. Also, even after the Korea War, they conducted many activities for national unification although it was not achieved at the end and a peninsula was divided into two separate nations: North and South Korea. On the other hand, from entering the period of military dictatorships, Korean civil society organizations did not play a significant role on social reforms as before. They still made a lot of efforts on the nourishment of juveniles, the maturity of civil consciousness, and the growth of civil society. However, they were nothing merely but an obstructer in the viewpoint of the authoritarian regimes who wanted rapid economic development at any expense of civil liberties, human rights, and democracy. For that reason, it was inevitable for civic associations to stand up against the government that intended to keep them apart from political and economic issues.

During the dictatorial period before 1987, the leaders of CSOs were mainly intellectuals and so they used the foundation of solid support networks from certain distinguished universities to raise an objection to an oppressive measure of military government and initiate a protest movement (Kwon, 2001).

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<sup>31</sup> This subsection is based on Joo et al. (2006) and Kim (2003).

To control and intervene in those convincing activities of civil society, the authoritarian regime justified the national security law, based on anti-communism ideology against North Korea. Consequently, the activities of CSOs for citizen advocacy were legally punished as well as strictly prohibited. Indeed, many Korean CSOs in those times (including trade unions, business organizations, teachers' organizations, and major service organizations) were quite hard to be independent of the government. Sometimes, they even had to not serve public benefit but pursue government interests. For instance, trade unions had a symbiotic relationship with the military government – these non-autonomous associations vindicated government policies and the government supported them on the basis of a special law (Joo et al., 2006). After a transition to democracy in 1987, such defective organizations were improved to function for their own communities and members, by the CSOs and their strong networks which were built newly around democratization.

After 1987, Korean CSOs entered upon a new phase and expanded greatly. The explosive protest movement of Korean people demanding democracy in June 1987 not only toppled military dictatorial regimes at last, but also drove the growth of civil society to recover civil liberties and promote civil participation. In the June 29 Declaration, Roh Tae-Woo, who was the ruling party's presidential candidate, publicly announced the abolishment of oppressive laws, the changes in major institutions (including a direct presidential election), and political democratization (Beetham et al., 2002). A dramatic explosion of CSOs followed this historic event promptly. With *Citizens' Coalition for Economic Justice* at the first as a front-runner, Korea had a huge increase in the CSOs for social justices, human rights, anti-corruption, and government accountability.

Under the civilian administrations of Kim Yong-Sam (1993-1998) and Kim Dae-Jung (1998-2003), CSOs came to have a close relationship with the administrations and could even participate in the policy-making process. In 1994, the Kim Young-Sam Administration began to provide official government funding for selected CSO projects (Joo et al., 2006). Kim Dae-Jung's Administration more increased the government funding on the basis of the newly enacted 'Non-profit Organization Supporting Law' which is that the government guarantees administrative cooperation, financial aid, and tax exemption for the self-regulation and voluntary activities of non-profit civil associations.<sup>32</sup> Moreover, in this period, some CSO leaders were recruited as ministers and heads of governmental institutions for anti-corruption, fair trade, consumer protection, human rights, sustainable development and decentralization, and others were elected as national legislators and local leaders (Joo et al., 2006).

To sum up, the CSOs in Korea are the organizations that have sought to strengthen democracy and flourish their members and communities. They nurtured the aspirations and gave voice to the grievances of millions of people under the dictatorship. They dedicated their lives to the struggle for

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<sup>32</sup> Source: Ministry of Government Legislation

liberty and democracy in order to protect and promote the rights and liberties that mark the boundary between freedom and oppression. Furthermore, on their qualitative maturity as well as quantitative growth owing to democratization, CSOs also built and sustained democratic and well-governed nation that responds to the needs of its people. A large variety of CSOs valued the importance of contribution of citizens as donators and volunteers and played a bridge role between citizens and government by helping them to participate actively in the agenda setting and decision-making processes of national and local affairs. Namely, they have built a culture of democracy in which ordinary citizens learn to participate in the democratic process. Those CSOs have been attainable in Korea, because not only government sought out partnerships with societal groups in providing public services more effectively, but also Korean CSOs constructed and expanded social networks with solidarity.

### **3.2.2 Social Capital of Korean Civil Society and Changes since Democratization<sup>33</sup>**

Social capital is a variety of resources that facilitate the quantitative and qualitative connections within and between social networks (Bourdieu, 1986; Coleman, 1988). The social capital of Korean civil society can be seen from two different angles: 1) the structural features and 2) the overall political, social, economic, cultural, and legal features, which shape the relationships between the state and citizens.

As the structural features, we focus on the extent of citizen participation, the diversity of civil society participants, and the level of cooperation between CSOs, since those build the influencing power of social networks.

#### Extent of Citizen Participation

*Non-partisan political action:* Korean citizens participated in at least one type of the non-partisan political actions. According to the data before and after 1987 from the World Values Survey<sup>34</sup>, they participated as ‘signing a petition’ at 19.9% in 1982. This rate was increased up to 52.3% in 2001. For ‘joining in boycotts,’ a participation rate of 2.3% in 1982 grew till 10.1% in 2001. Also, positive changes from 7.1% in 1982 to 22.7% in 2001 for ‘attending lawful demonstrations’ as well as from 1.6% in 1982 to 9.5% in 2001 for ‘joining unofficial strikes’ were observed.

*CSO membership:* The result of the World Values Survey 2001 shows that 51.7% of Korean population belonged to at least one civil society organization (Joo et al., 2006).

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<sup>33</sup> I make clear that this subsection is based on Joo et al. (2006).

<sup>34</sup> The World Values Survey is produced by the Institute for Social Research at the University of Michigan.

*Volunteering:* According to the official census about voluntary activities for public benefits, the population of volunteers which had been 6.9% in 1993 came to be doubled to 14.6% in 2002 (Korea National Statistical Office, 1994, 2003).

#### Diversity of Civil Society Participants

*Diversity of Social Groups within Civil Society:* Before 1987, civil society tended to put social minority groups in minor consideration, and so they were excluded from a leadership of CSOs. But, after a transition to democracy, diverse community-leveled voluntary organizations began to be recognized as a significant actor in civil society (Joo et al., 2006). By embracing a large variety of social groups within civil society such as women, rural dwellers, the poor, the disabled, and the aged, the networks in civil society expanded and were more consolidated.

*Spatial Diversity of CSOs:* How far CSOs are distributed spatially represents the spread and depth of social networks. As shown in Figure 11 by the ratio of CSOs<sup>35</sup> to regional population<sup>36</sup>, CSOs reveal a spatial diversity with their more distribution in metropolitan areas. In comparison to the distribution gap of CSOs in pre-democratization period between metropolitan and non-metropolitan areas, that of post-democratization period has even broadened two times in 1999. The explicit unequal distribution of CSOs between metropolitan and non-metropolitan areas can be explained reasonably, if metropolitan-concentrated demographic composition is considered in the sense that CSOs should be distributed in proportion to regional population.

Also, we will be able to confirm a spatial diversity of CSOs through their distribution in each region. Table 8 presents the result of the two-sample t-test with equal variances about the distribution of CSOs over regional population at their locality. First, this table tells that CSOs are distributed differently across regions in both the before-1987 and after-1987 periods. The regional variation in their distribution measure can be due to demographic factors, as previously stated. Additionally, it appears to be due to a liberal political environment where CSOs can express their opinions openly and do activities freely – civil society is likely to flourish better at the locality endowed with more liberal political environment. When looking at Tables 9 and 10 that indicate regional opposition voting share and regional opposition seats share respectively, it is possible to gauge the regional level of liberal political environment which facilitates that civic associations unreservedly open their views and make demands although they are against government. From the analysis of correlations between the different values across regions of opposition voting share (and opposition seats share) and the different values across regions of CSO

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<sup>35</sup> Source: Directory of Korean NGOs, 2000.

<sup>36</sup> The unit is 10,000 people.

distribution in Figure 12 (and Figure 13), we indeed observe during the before-1987 and after-1987 periods as well as a whole period that the variation of regional distribution of CSOs is positively related to the goodness level of their political background environment for vigorous activities.

Second, Table 8 uses a difference in the means of CSO distribution over two periods to present the explosion of CSOs in each region after democratization. The difference is statistically significant at the 1-percent level for all 11 regions in Korea, and therefore the null hypothesis ( $H_0$ : Difference=0) is rejected and the alternative hypotheses ( $H_a$ : Difference<0;  $H_a$ : Difference≠0) are accepted. This result is consistent with the following historical evidence: since democratic revolution in 1987, the majority of existing civic organizations have escaped from the intervention of the government and also a large number of other autonomous CSOs have newly formed. In short, Korean civil society came to have richer network capital with the introduction of democracy.

### The Level of Cooperation between CSOs

Cooperation among civil society organizations facilitates the connection of their social networks by promoting an accumulation of reciprocal trust through close relations. In Korea, the successful coalition activities among CSOs are identified in the examples of ‘CSO Coalition for Education Reform’, ‘CSO Coalition for Anti-Corruption Legislation’, ‘People’s Action for Newspaper Reform’, ‘Coalition for Local Autonomy Reform’, ‘Civil Coalition for Disability Discrimination Act’, and ‘*Nakseon* Movement for Political Reform’ (Joo et al., 2003). Especially, the *Nakseon* Movement<sup>37</sup> in 2000, which removed corrupt and undemocratic candidates from the ballots, representatively shows a strong cooperation among more than 900 CSOs (Kim, 2003).

For social capital from the overall political, social, economic, cultural, and legal features, we consider civil liberties and political rights, information rights, tolerance and harmony, and public trust in CSOs.

- *Civil liberties and Political rights*: Compared with pre-democratization period, Korean civil society had a dramatic improvement in political rights after 1987. A direct election system for presidential elections was introduced at the same time with a success of democratization, and then the regulations, restricting the participation of labor unions and civil organizations in elections, were abolished over 1998 and 2002 respectively.
- *Information rights in Rule of law*: While the Constitutional Law of Korea has safeguarded the rule of law since democratization, the ‘Law on Freedom of Information on Public Organization’

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<sup>37</sup> This campaign resulted in successfully ousting 59 of the 86 targeted corrupt candidates through a vote (Moon, 2000).

was enacted in 1996. It implies that the rights for civil society to access public information were greatly enhanced (Joo et al., 2006). Compared to a period of dictatorship, Korean civil society could strengthen their social networks with superior information access under democracy.

- *Tolerance and Harmony*: Korea is composed of a single race and so there are no serious racial conflicts or racial discrimination within civic associations. Although regionalism detrimental to harmony among regional communities had spread out under military regime before 1987, it has been also mitigated since 1987. Those circumstances brought civil society the social capital good to consolidate social networks, especially after 1987.
- *Public trust in CSOs*: Before 1987, many leaders of CSOs were suppressed and not autonomous from the dictatorial government. Therefore, CSOs, who had to put their community's demands into minor considerations, could not help losing public trust. But, the World Values Survey 2000 presents that since 1988 the trust in CSOs has been retrieved by an absolute majority of South Koreans (86%): labor union, social service NGOs, environmental movement, and women's movement (Joo et al., 2006). Korean civil society is based on a high level of trust among ordinary citizens.

In short, we can have known that over last three decades, Korean CSOs experienced a growing process of their impact on human rights, political participation, and accountability and transparency of the state and business sector (Ha, 2001). The reason is that nationwide social networks among tens of thousands of CSOs could be more solidified on the basis of their superior social capital, especially after democratization. This fact allows us to indirectly watch that such a better growth environment of CSOs should be another cause contributive to a change in the regional depth of civil society between before and after democratization.

### **3.3 POLITICAL GROUP VS. NONPOLITICAL GROUP**

As Paxton (2002) clarified, a long theoretical discussion (Almond and Verba, 1963; Calhoun, 1993; Habermas, 1989; Putnam, 1993; Tocqueville, 1990; Truman, 1951) argues that civil society crystallizes and organizes opposition to a non-democratic regime by expanding citizen access to information and political ideas. Furthermore, that makes a learning environment for compromise and tolerance, stimulates individual participation in politics, and provides a training ground for new political leaders. These roles of civil society promote governmental accountability as well as the creation and maintenance of democracy.



Theorizing that vigorous civil society is positively related to democracy and democratic governance, such previous research tends to treat all voluntary associations the same. Different associations, however, would not have equivalent effects on democracy (Paxton, 1999 & 2002; Putnam, 2000; Seligson, 1999). It is highly likely that certain types of voluntary associations may have better effects on democracy. Using large data from cross-national panel study, Paxton (2002) presents quantitative empirical evidence to support the significant relationship between voluntary associations and democracy. At the same time, she conducts an additional test about the different effects of distinct types of associations on democracy – she then distinguishes associations that are connected to other associations from those that are isolated –, and suggests that unisolated associations have a better impact. This is because “high within-group trust and networks but low between-group trust and networks” of isolated associations are detrimental to the development of democracy (Paxton, 1999). This rationale was propped also by Putnam (2000)’s recent study, which demonstrates unlike effects from “bridging” and “bonding” organizations. He indicates that “bridging” associations, those connected to other associations and to the larger communities, should enhance the level of tolerance and compromise by bridging members over diverse social boundaries, and build the great trust and networks. On the other hand, “bonding” associations strengthen internal members’ solidarity, seldom make a connection with other community members, are segregated from other communities, and exacerbate existing social cleavages. For these reasons, unisolated associations should produce a better contribution to democracy than isolated associations.

Seligson (1999) also maintains that different types of associations generate a distinct contribution to democracy, even if she does not hold a viewpoint identical with Paxton (2002) and Putnam (2000) in discriminating the types of civic associations. Her cross-country study<sup>38</sup> shows that some kind of associations (community development group) is consistently related to demand making but other kinds (church-related organizations, school-related associations, civic clubs, cooperatives, profession associations, and unions) are not. It is thus evidently revealed that all civil society organizations do not have equivalent importance for democracy. She explains this argument, suggesting that community improvement associations are constantly involved in direct requests for assistance from public officials and agencies. However, other associations do not always have many public needs to participate their members in demand making.<sup>39</sup>

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<sup>38</sup> For a dependent variable, Seligson (1999) creates a four-item index of levels of demand making, based on demands made to whom. As the independent variables, she uses 4-point scale measures of participation in each type of civil society organization.

<sup>39</sup> According to Seligson (1999), the variation in these patterns is based on the contextual factors of country (*e.g.*, history).

Regarding the importance discriminated by associational types for democracy, Stolle and Rochon (1998) argue as its cause that associational types have different impacts on social capital creation. Grouping 102 voluntary organizations in their data set into seven categories<sup>40</sup>, Stolle and Rochon (1998) present that even if all associations are related to identical kinds of social capital, they have no equal concentration on such social capital. Once again, here, we can note that the effect of civic organizations on democracy is evident and it does not imply that their importance is identical across types of associations.

Booth and Richard (1998)'s study is another influential work which has investigated the relationship between civil society and democracy. Using contemporary data from six Central American countries to manifest the effects of civil society on levels of democracy, they contend that types of civic organizations with more intensive levels of formal "state-impinging attitudes and activities"<sup>41</sup> lead to a higher level of democracy. The reason is that those associational types have a stronger tendency to convey their demands to government (Booth and Richard, 1998). Their perspective is broadly in line with that of Ottaway and Carothers (2000) at the macrolevel – a stronger civil society clearly helps produce greater political liberalization or democratization.

As substantiated by the above studies, in identifying and understanding the effect of civil society on democracy, it appears to be essential to consider different types of civic associations and compare their relative importance to democratic politics.

In this context, we can have an alternative approach to distinguishing types of civil society organizations: political versus nonpolitical groups<sup>42</sup>. And we shall meet the following questions: is it found that while such two-typed civic organizations are related to democracy, the different types of civic organizations have a differentiated importance? If so, why does membership in political and nonpolitical groups lead to the different levels of democratic practice and governance? Indeed, members of political associations are engaged in the political goal of pressuring governments for democratic reform and promoting democratic norms.<sup>43</sup> Thus, their participation could immediately help to create democracy or to maintain and improve an already existing democracy. On the other hand, nonpolitical associations would

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<sup>40</sup> Stolle and Rochon (1998) categorize by group purposes as follows: (i) political, (ii) economic, (iii) group rights, (iv) cultural, (v) community, (vi) private interest, and (vii) social-leisure organizations.

<sup>41</sup> Booth and Richard (1998) define "state-impinging attitudes and activities" as all kinds of attitudes and activities which are linked with democratic norms, voting, campaign activism, and contacting public officials.

<sup>42</sup> For instance, political groups are all kinds of associations that make a political participation for democratization, democratic governance, civil liberties, the reform of civil awareness and political culture, and social/ economic reform and development. On the other hand, nonpolitical groups are the associations that are nonpolitically focused onto personal or within-community matters, rather than broader public and political issues. These groups include sports clubs, recreation clubs, hobby groups, study groups, literary circles, alumni associations, and the like.

<sup>43</sup> Stolle and Rochon (1998) show that members of political associations are more active in their rates of political participation than any other associations because political groups get their members heavily involved in political activities.

be less likely to react sensitively and promptly to broader public and political issues. The first reason is that they do not tend to have immediate motivation to mobilize members about those issues. They are nonpolitically member-oriented associations fundamentally with personal or within-community matters. Hence, unless a close relationship between politics shift and the community they belong to is shaped, nonpolitical groups would not have a reason to instantaneously devote their members to demand making on all levels of government. The second reason is that nonpolitical associations appear to need to take some time in equipping their members with the social skills, expectations, and attitudes useful for political activity.<sup>44</sup> We can find corroborative evidence of these rationales from Huntington and Nelson (1976) and Verba, Nie, and Kim (1978). Huntington and Nelson (1976) have suggested through examples from Mexico, Chile, and Peru that members of the associations focused on within-community issues are connected to political activity at some time or other. This argument is consistent with Milbrath (1965), which theorizes that as people are exposed to political stimuli, they are likely to become politically active and participate. Refining the existing findings, Verba, Nie, and Kim (1978) have asserted that participation in nonpolitical civil society organizations makes political demands in the end, but it takes some time for their members to be exposed to political stimuli and expand their worldview.

The difference in political activity and participation between political and nonpolitical groups is observed clearly in Korea through the data<sup>45</sup> analysis of political assembly and demonstration. Table 11 states to what extent Korean civil groups have had different political participation concentration by group types during the survey period from 1988 to 2007. As depicted in the table, the uneven share of political and nonpolitical groups in political assembly and demonstration is meaningfully disclosing the difference in political activity and participation between the two groups. Political groups have participated in 65.38% of the entire political assembly and demonstration over the 20 years, and thereby the rate of their participation concentration has reached nearly double over that of nonpolitical groups (34.62%).

In the sense that voluntary organizations not only expand citizen access to information but also make a learning environment for compromise, tolerance, skills, and attitudes that are necessary for democracy to take root and promote (Pateman, 1970), both political and nonpolitical groups supply the missing link in the chain of democratic development. However, they are also endowed with the difference in the activity of associations in political issues. This distinction between political and nonpolitical groups will provide a key standpoint in understanding why they have unequal importance for democratic politics.

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<sup>44</sup> Pateman (1970), in his theoretical study, argues that voluntary organizations teach people the social skills, expectations, and attitudes that are necessary for democracy to take root and promote.

<sup>45</sup> [Source] East Asia Institute and Center for European Studies in Harvard University (2008). *Assembly, Demonstration and Democracy in Korea after Democratization*, The Logic of Civil Society: Contentious Politics in New Democracies. This source deals with political assembly and demonstration based on the following overall activity purposes: indemnity, economic policy change, political responsibility, economic demands, and political policy change.

**4.0 CHAPTER THREE**  
**EMPIRICAL ANALYSIS AND RESULTS:**  
**DEVELOPMENT AND DEMOCRACY**  
**(RELATIONSHIP OF ECONOMICS WITH POLITICS)**

**4.1 VARIABLE SPECIFICATION AND DATA SOURCES**

This section specifies the variables used in my empirical analysis and describes their data sources. The dataset covers spatial and temporal variations across eleven regions for 1971 through 2001.<sup>46</sup> These eleven regions (listed in the appendix) are all of Korea's geographic territories and this period spans Korea's transition from dictatorship to democracy. When compared with the research which relies on cross-country variations, this study based on regional variations within a country has a good point in experiencing the socioeconomic disparities much less pronounced among cross-sectional units – especially, Korea consists of ethnically homogeneous regions with a single language and also it does not have territory so large as the local dissimilarity subject to cultural or religious divergence emerges. Thus, the estimates of my within-variation analysis are less likely to suffer from the bias caused by individual unobserved heterogeneity. That is to say, controlling at the regional level allows me to suitably deal with the potential bias due to cultural, historical, and institutional unobserved distinctions between cross-sectional units and so more objectively evaluate the social and economic development under democracy.

In the empirical analysis, the data contain panel (pooled time-series cross-section) estimates of public goods and services, economic growth, the depth of civil society, fiscal decentralization, government taxation, government spending services, and various available covariates. For clarity, the definition of variables and their data sources are simply charted in the appendix, and Table 12 presents a descriptive statistics of the variables.

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<sup>46</sup> I have stopped in 2001 because of the data availability. Especially, the data source of civil society organizations does not allow an extension to more recent years in the limitation of access and perusal.

#### 4.1.1 Public Goods and Services<sup>47</sup>

The distribution level of public goods and services is an indicator useful to assess regional socioeconomic development. I measure their provision level at locality especially in terms of health service, education service, and social overhead capital (or infrastructure).

First, for health service, immunization, mortality, and the quality of medical care are considered. As a measure of immunization, the growth rate of vaccination coverage against DPT (*i.e.*, diphtheria, pertussis (or whooping cough), and tetanus) is used. Concerning mortality, the growth rate of mortality in the age of 0 to 4 years old is estimated, and thus its lower values correspond to better societies. Also, I take into account both the hospital ratio to regional population and the hospital sickbed ratio to regional population for the quality of medical care. Second, for education service, I focus on the quality of educational environment and estimate the teacher-to-pupil ratio in primary school, the primary school-to-enrolled student ratio, and the gross (primary, secondary, tertiary) school-to-enrolled student ratio.<sup>48</sup> These variables are commonly employed in Enikolopov and Zhuravskaya (2007) and Leeson (2007) as well. Last, for social overhead capital, the ratio of paved road length to total road length, a log of the number of bridges, and a log of the water supply capacity are measured as the level of public goods provision. Admittedly, the quality measure of bridges should be more suitable for the goodness of local public goods than the number of bridges. The reason is that opportunities to create bridges are not identical in every region in the presence of different geographical features. However, I use their number, because I was not able to find any better quality measure of bridges and this is arguably better than not having any measure for bridges. And speaking about the water supply capacity, it has not been presented in per capita terms, as the different level of national and/or local industrial complex has clearly influenced regional water supply capacity – in Korea, the water supply capacity at locality is proportional to the number of national and/or local industrial complex. The data of public goods are obtained from the Ministry of Health and Social Affairs' *Yearbook of Health and Social Statistics*<sup>49</sup> and the Korea National Statistical Office's *Korean Statistical Information Service* (<http://www.kosis.kr>) in various years.

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<sup>47</sup> DPT immunization, mortality, and the ratio of teacher to pupil are based on the measure of Enikolopov and Zhuravskaya (2007).

<sup>48</sup> For instance, the teacher-to-pupil ratio in primary school is evaluated by the number of primary school teachers divided by the number of pupils enrolled in primary school.

<sup>49</sup> On December in 1994, the Ministry of Health and Social Affairs was renamed to the Ministry of Health and Welfare, and therefore *Yearbook of Health and Social Statistics* had a new title of *Yearbook of Health and Welfare Statistics*.

### 4.1.2 Economic Growth

Along with the variables of public goods described above, the growth rate of real per capita Gross Regional Domestic Product (GRDP)<sup>50</sup> is utilized as another dependent variable. GRDP is the total market value of all final goods and services produced within a region in a given period of time (usually a calendar year). It is also computed by the sum of the value added at every stage of production of all final goods and services across all sectors in the regional economy. Accordingly, regions' gross domestic product provides basic data required for regional economy analyses and policy establishment with understanding the size of production & expenditure and industrial structure per region. It reflects that GRDP can be the best available basis in measuring the advanced level of each local economy.

To avoid mismeasuring economic growth because of the price fluctuations as well as the magnitude gap of local population, the per capita and real term of GRDP has been considered. Especially, its real term has been made by an adjustment on the prices of base year 2000. In fact, inflation leads to significant reductions in per capita income as well as in the efficiency with which productive factors are put to use. Besides, it diminishes the level of business investment by more conservative investment strategies due to higher uncertainty about the future profitability of investment projects than would otherwise be the case. In 1974, even President Gerald Ford verbalized some of discomfort about inflation when he said, "Our inflation, our public enemy number one, will unless whipped destroy our country, our homes, our liberties, our property, and finally our national pride, as surely as any well-armed wartime enemy."<sup>51</sup> If these inflationary effects were not removed, it would have distorted the correct estimation of an economy's output growth. GRDP data are acquired from the Ministry of Commerce, Industry and Energy's *Korea Institute For Industrial Economics and Trade*.<sup>52</sup>

### 4.1.3 Civil Society Organization

In this study, civil society organizations (CSOs) refer to the varied forms of social non-profit-seeking organization that lie between the individual and the government. So, they manifest themselves in an almost infinite variety of social groups ranging from sports clubs to political parties. However, as discussed in Chapter 2, different types of civic association would not have an equivalent effect on the creation, maintenance and promotion of democracy. For that reason, I distinguish CSOs into two types

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<sup>50</sup> Glaeser, La Porta, Lopez-de-Silanes, and Shleifer (2004) and Enikolopov and Zhuravskaya (2007) exploited the growth rates of real per capita GDP in order to assess the economic development of their observations.

<sup>51</sup> U.S. President, Weekly Compilation of Presidential Documents, vol. 10, no. 41, p. 1247. Cited in Blinder, *Hard Heads*.

<sup>52</sup> Heo, Moon-gu, Yoon-gi Choi, and Jae-hong Chang (2004).

(i.e., political and nonpolitical groups). Political groups are all kinds of associations that make a political participation for democratization, democratic governance, civil liberties, the reform of civil awareness and political culture, and social/ economic reform and development. On the other hand, nonpolitical groups are the associations that are nonpolitically focused onto personal or within-community matters, rather than broader public and political issues. These groups include sports clubs, recreation clubs, hobby groups, study groups, health care groups, literary circles, alumni associations, and the like.

Obtaining data from the Korean NGO Times's *Directory of Korean NGOs 2000* – the source itself sorted out CSOs into those that do or do not fall under each group type, the regional scale of civil society is measured by the number of each type of civic association divided by population at the locality. Regarding the series for panel estimates of political group, Table 13 presents that a regional distribution of political CSO over population rises in all regions between before and after democratization and the positive change is statistically significant in the result of the two-sample t-test. Particularly, despite this significant increase in estimates, we observe a strong correlation between the series for panel estimates of political group under dictatorship and democracy (Figure 14). Even when inspecting the year-by-year correlations, it is stated in Table 14 that the correlation between estimates at year  $t$  and year  $t-1$  is strongly positive in all regions under any level of dictatorship, democracy, and whole period. In addition, Figure 15 overall shows the regional scale of political civil society across all years, which confirms that the correlations are high suggesting that the regional scale of political civil society was stable from the 1970s through the 1990s. Like political group, concerning the series for panel estimates of nonpolitical group, we also perceive that their positive change between before and after 1987 is highly correlated in all regions. Table 15, Figure 16, Table 16, and Figure 17 demonstrate it in the same manner as the above.

Here, I clarify that the number of CSOs per capita is not the ideal solution. The reason is that this measure treats large and small organizations as equal. Presumably, the number of CSO participants per capita – that is, the number of CSOs to which the average person belongs – would be better. But unfortunately, sometimes it is not possible to find such ideal measure. So, I am bound to use it only because I was not able to find any correlates of CSO membership per capita. Since the number of CSOs per capita is worth representing the extent of spread of CSOs in each region and thereby the depth of civil society, I have to settle for it as a second best approach.<sup>53</sup>

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<sup>53</sup> Paxton (2002) employs the number of international nongovernmental organizations (INGOs) in measuring social capital. Then, comparing with the number of INGO memberships, she argues “The different nature of the measure is not, in itself, problematic. In fact, a count is preferable in some ways.”



#### 4.1.4 Fiscal Decentralization<sup>54</sup>

By “fiscal decentralization,” this study means the allocation of greater expenditure responsibilities to local governments from central government. To measure the degree of fiscal decentralization in each region, I consider the indicator suggested by Enikolopov and Zhuravskaya (2007), Treisman (2000), and Zhang and Zou (1998) – the ratio of subnational government expenditure per capita to central government expenditure per capita.<sup>55</sup> This measure is admittedly imperfect, because it does not reflect clear information on the distribution of decision-making authority between local and central governments (Enikolopov and Zhuravskaya, 2007). However, it becomes a useful proxy for the regional level of fiscal decentralization by providing the level of expenditure of subnational governments relative to central government. So, this indicator of fiscal decentralization is the most commonly exploited by various scholars in the empirical literature on the effects of fiscal decentralization.

Data are obtained from the Ministry of Finance and Economy’s *Financial Yearbook of Local Government*, various years (1972-2002).<sup>56</sup> Along measuring the local level of fiscal decentralization, Table 17 presents that it has statistically significantly grown in all regions after the 1987 democratization and Figure 18 establishes that the increment in estimates between two periods is highly correlated. Also, when inspecting the year-after-year correlations (Table 18), we notice that the correlation between the estimates of fiscal decentralization at year  $t$  and year  $t-1$  has a sizable value in all regions under any level of dictatorship, democracy, and whole period. Those analyses enable us to check that the panel estimates of fiscal decentralization level, which we are treating, are stable across regions over years from the 1970s

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<sup>54</sup> I here note that there may be a room for doubt about the status of Korean fiscal decentralization under the authoritarian regime, because Korea had been characterized as a centralized country without political decentralization (e.g., sub-national government elections for governors, mayors, and local council members) until amending the Constitution for the restoration of local autonomy as the immediate consequence of the 1987 democratization. But, as Oates (1972) says “for an economist, however, constitutional and political structures are of less importance: What is crucial for him is simply that different levels of decision-making do exist, each of which determines levels of provision of particular public services in response largely to the interest of its geographical constituency”, a fiscally decentralized feature was able to be still found in Korea during that period even if it was not quite strong. Reasonably, there was more or less improvement in the fiscal decision-making authority of local governments, as rapid regional development in the 1970s and 1980s increased the demand for financing local public services. Along with the institutional events and statistical data descriptions related to fiscal decentralization in Chapter 1, Figure 19 assures once again that Korean fiscal decentralization was not discontinued under dictatorship and has improved remarkably after democratic transition in 1987.

<sup>55</sup> As an alternative indicator of fiscal decentralization, Zhang and Zou (1998) also designated the ratio of (local government expenditure/GRDP) to (central government expenditure/GDP).

<sup>56</sup> Data are from settlement of accounts for the concerned fiscal year, because the settled budget of a given fiscal year is more accurate than the provisional budget (projected prior to one year) for that fiscal year. By *Financial Yearbook of Local Government* about the current fiscal year, the Ministry of Finance and Economy reports the previous fiscal year’s settled budget. Hence, I use the issues for the year 1972 through 2002 to consider settlement of accounts for the year 1971 through 2001.



through the 1990s. Figure 20 suggests another evidence for an advance in fiscal decentralization level at each locality after 1987 and the stability of estimates over years.

#### 4.1.5 Government Taxation

The wealth of local governments forms the cornerstone of the development of their own region, and therefore I use the share of local tax revenue in GRDP. This variable should control for different concentration of wealth among regions and even its huge accumulation in specific regions (*e.g.*, metropolitan areas). Also, a measure of the government taxation can control for the distorting effects of taxes collected by local governments to finance their spending (Barro, 1990). For instance, small taxation is more likely to revitalize regional economy through the incentives which not only attract enterprises but also promote consumer purchasing power, investment inflows, and infrastructure. Conversely, large taxation is more likely to restrain it. Tax data are acquired from the National Tax Service's *Statistical Yearbook of National Tax*, various years (1972-2002).<sup>57</sup>

#### 4.1.6 Government Spending Services

Government spending also takes part in socioeconomic growth. Namely, government expenditures are often found to stimulate the economy by developing the resources and activities of the production factors such as capital, labor, and land. On the other hand, they sometimes make the economy grow at a lower rate as well. One channel for this negative effect of government spending involves a reduction in private investment – as more public investment is provided, private sectors are less likely to have incentive to invest because they retain a smaller fraction of their returns from investment (Barro, 1990). To take into account these possible impacts on the development, I control for the function-wise expenditures of subnational governments: local expenditures on general administration, social development (education, housing, health, social welfare, and etc.), economic development (transportation, electric power, water, and etc.), and defense.<sup>58</sup> The variables of government spending are measured as the share of budgetary spending by function in total budgetary spending of each government. Data are from the Ministry of Finance and Economy's *Financial Yearbook of Local Government*, various years (1972-2002).<sup>59</sup>

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<sup>57</sup> Data are from settlement of accounts for the concerned fiscal year. By *Statistical Yearbook of National Tax* about the current fiscal year, the National Tax Service reports the previous fiscal year's settled budget. Hence, I use the issues for the year 1972 through 2002 to consider settlement of accounts for the year 1971 through 2001. The Korea National Statistical Office also reports the tax data in its *Korea Statistical Yearbook*, various years.

<sup>58</sup> Part C of the appendix describes the composition and explanation of local spending in more detail.

<sup>59</sup> Data are from settlement of accounts for the concerned fiscal year, because the settled budget of a given fiscal

#### **4.1.7 Labor Force**

Labor force in the economy consists of people employed and unemployed. It implies that the labor force directly affects economic performance and further output growth. Indeed, as other empirical literature on social and economic development including Zhang and Zou (1998) shows, more labor force tends to allow the economy to expand at a higher rate. Moreover, the period of analysis contains a massive shift of economic activity from rural to urban in Korea. Hence, I consider a change in regional labor force as a covariate to control for those effects on local development. This variable is produced by the growth rate of labor force in each region, and data are obtained from the Korea National Statistical Office's *Korean Statistical Information Service* (<http://www.kosis.kr>).

#### **4.1.8 Population**

The growth of per capita output is closely related to population change. In other words, their typical dynamics exhibits that a growing population in general is inclined to increase per capita output by sizable increments in total output. However, in the presence of limited resources and fixed inputs, it reversely decreases per capita output by causing lower marginal productivities. Furthermore, population change also influences the public goods procurement in the sense that economies of scale controls the efficiency of local expenditure. One more thing noted is that the period of analysis encompasses a huge shift of people among regions in Korea, especially from rural to urban. In order to control for those possible impacts on the provision level of public services and the growth of per capita output, I use a measure of local population growth rate as one of the additional control variables. Data are from the Korea National Statistical Office's *Korean Statistical Information Service* (<http://www.kosis.kr>).

#### **4.1.9 Political Opposition & Voting Participation**

To improve the robustness of empirical analysis and results, I build the series for panel estimates of the other democracy variables such as political opposition and voting participation.

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year is more accurate than the provisional budget (projected prior to one year) for that fiscal year. By *Financial Yearbook of Local Government* about the current fiscal year, the Ministry of Finance and Economy reports the previous fiscal year's settled budget. Hence, I use the issues for the year 1972 through 2002 to consider settlement of accounts for the year 1971 through 2001.

First, political opposition is measured by the share at each region of the opposition seats in the National Assembly seats (*i.e.*, the ratio of the opposition seats to the total seats at each locality). Accordingly, it is possible to control for the regional level of liberal political environment along democracy, which facilitates even a demand making against all levels of government and so can connect with the resource allocation substantially. The series for panel estimates of this variable are based on data from the election of members for the National Assembly in 1971, 1973, 1978, 1981, 1985, 1988, 1992, 1996, and 2000, which are provided by the National Election Commission (<http://www.nec.go.kr>).<sup>60</sup>

Second, voting participation is measured by the share of local valid votes in national valid votes (*i.e.*, the ratio of local valid votes to national valid votes) from the 9 National Assembly elections in 1971, 1973, 1978, 1981, 1985, 1988, 1992, 1996, and 2000. We use this variable to consider the regional level of an active declaration of public opinion. The reason is that a positive participation in voting reveals local residents' strong responsibility and devotion for their region, and thus a demand-making process for regional development is more likely to be animated. Like a measure of political opposition, data are obtained from the National Election Commission (<http://www.nec.go.kr>).

## 4.2 EMPIRICAL MODEL SPECIFICATION

### 4.2.1 Civil Society, Democracy, and Socioeconomic Development

Estimating the impact of civil society on public services provision and economic growth before and after democratization<sup>61</sup>, the primary purpose of this study is to examine whether the civil society scale that can become a proxy for democracy has a better (or worse) effect on socioeconomic development under democratic regime. Moreover, it is then expected to compare the effects from different types of civic association. To capture such structural change in the causal relationship over the two-partitioned periods by a transition to democracy (*i.e.*, a natural experiment opportunity), this paper analyzes the coefficients<sup>62</sup>

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<sup>60</sup> Presidential election data are not useful for this study. The reason is that the presidential elections under dictatorship were enforced by the Electoral College that a president directly designated for himself. Hence, National Election Commission (<http://www.nec.go.kr>) classifies them as an unfair election and does not provide the data for the presidential elections during that period.

<sup>61</sup> Table 19 and Table 20 report the correlations between civil societies and socioeconomic development variables under dictatorship and democracy, respectively.

<sup>62</sup> Refer to the interpretation of interactions on the basis of the analysis of variance (ANOVA). Once an interaction term is added in the regression equation (*e.g.*,  $Y = c + a_1 \cdot X + a_2 \cdot X \cdot Z$ ), the coefficient of an independent variable  $X$  can be interpreted as the unique effect of  $X$  on a dependent variable  $Y$  only when  $Z = 0$ . On the other hand, the  $X$ 's unique effect on  $Y$  will be presented by  $a_1 + a_2$  which is the combination of coefficients of  $X$  and its interaction term with  $Z$  (*i.e.*,  $X \cdot Z$ ), when  $Z = 1$ .

of civil society and its interaction term with democratization in an econometric framework obtained by stacking the data across the 11 individual geographical regions and the calendar years of 1971-2001. In other words, I estimate the following regression equations, using a variety of measures on the left side:

$$DEVELOP_{it} = \alpha + \beta_1 PCSO_{it-1} + \beta_2 PCSO_{it-1} * REV_{it-1} + \gamma CONTROL_{it-1} + \eta_i + \theta_t + \varepsilon_{it} \quad (1)$$

$$DEVELOP_{it} = \alpha + \beta_1 NPCSO_{it-1} + \beta_2 NPCSO_{it-1} * REV_{it-1} + \gamma CONTROL_{it-1} + \eta_i + \theta_t + \varepsilon_{it} \quad (2)$$

where  $DEVELOP_{it}$  implies the levels of social and economic development in region  $i$  at the year  $t$ . For these dependent variables, I exploit the estimates of 10 public goods and the growth rate of real per capita GRDP.  $PCSO_{it-1}$  ( $NPCSO_{it-1}$ ) denotes the scale of political (nonpolitical) civil society organizations with a one-year lag, and  $REV_{it-1}$  is a democratization dummy variable (0 before 1987; otherwise 1). We thus note that  $\beta_1$  and  $\beta_1 + \beta_2$  will capture the effect of civil societies on development before and after democratic revolution, respectively. In this sense,  $\beta_2$  presents a pure change in the effect of civil societies due to democratization.  $CONTROL_{it-1}$  is a vector of covariates that includes the local tax share in GRDP to control for the wealth gap and distorting effects of taxes at the local level, the growth rate of regional labor force, the growth rate of regional population, the regional level of fiscal decentralization, the share at each region of the opposition seats in the National Assembly seats (*i.e.*, political opposition), the share of local valid votes in national valid votes in the National Assembly elections (*i.e.*, voting participation), and the local government spending by function such as expenditures on general administration, social development, economic development, and civil defense.  $\eta_i$  and  $\theta_t$  say the fixed effects of region and year, respectively.  $\varepsilon_{it}$  is an individual error component.

In the estimation of this time-series cross-section model, I am faced with some issues. Commonly known, because the panel data model often allows for serially correlated errors within each panel as well as for heteroskedasticity across panels, the properties of this data structure may produce inaccurate standard errors. Particularly, these concerns are widespread in the field of comparative political economy. The reason is, for example, that the type of political regime in each country in a given period most likely affects the type of political regime in the country in the next period. Also, it may be realistic to expect that each country has the different amount of variation in political policy. In order to address these inherent pitfalls in panel data and allow my regressions to provide even more reliable results, I estimate all linear regression models not only computing the robust standard errors adjusted to heteroskedasticity but also allowing clusters by region. As Beck and Katz (1995) and Treisman (2000) have recommended, I also seek to estimate the models using panel-corrected standard errors (PCSEs) method. With the correction

for standard errors by adjusting the sampling variability of the OLS estimates<sup>63</sup>, PCSEs provide an estimation strategy that takes into account heteroskedasticity and serial correlation. Beck and Katz (1995) have shown through Monte Carlo analysis that when using 10 to 20 cross-sectional units and 10 to 40 time periods per panel, PCSEs estimates are very strong and also asymptotic with an increasing  $i$  even in the presence of complicated panel error structures.<sup>64</sup> Therefore, this estimation method is appropriate for my data analysis in which there are the 11 individual observations and the 30 time observations per unit.

In addition to that, as some literature has perceived the two directions of causality when looking at the correlation between political regimes and development, I am also worried that the scale of civil society may be endogenous. Indeed, there is a possibility that it would be – faster-growing regions are more likely to have huge civil societies. It means that the estimate of coefficients ( $\beta_1$  and  $\beta_2$ ) would be inconsistent and thus my results would be distorted. To address the potential reciprocal effect of socioeconomic development on civil society and eliminate the source of bias, I employ its one-year lagged value for the scale of CSOs (Enikolopov and Zhuravskaya, 2007)<sup>65</sup>.

#### 4.2.2 Fiscal Decentralization and the Korean Political System

According as many developing countries are gradually taking more interest in decentralization in expectation of its potential benefits like welfare increase and economic development, it has become a popular trend for the past several decades. But, the debate on the effects of decentralization does not become conclusive yet in equally-matched confrontation of arguments for and against decentralization. Tiebout (1956), Oates (1972), and Cremer et al. (1994) commonly emphasize that decentralization promotes accountability in government service delivery and improves economic efficiency of resource allocation enjoying a comparative advantage in accounting for the diversity of preferences in the choice

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<sup>63</sup> The sampling variability of the OLS estimates,  $(X'X)^{-1}\{X'WX\}(X'X)^{-1}$ , is adjusted with the estimator  $\hat{W}$  which is a block diagonal matrix with the  $\hat{E}$  covariance matrix along the diagonal. Panel-corrected standard errors are thus derived by  $(X'X)^{-1}X'\{(U'U/T)\otimes I_T\}X(X'X)^{-1}$  where  $U$  is the  $T\times N$  matrix of the OLS residuals and  $\hat{E}=(U'U/T)$ .

If there is no autocorrelation, this method performs the OLS parameter estimation. If autocorrelation is specified, the method uses Prais-Winsten regression. Prais-Winsten regression specifying Cochrane-Orcutt transformation is the generalized least-squares method to estimate the parameters in a linear regression model where there are different error variances and the first-order autocorrelated residuals. To transform autocorrelated disturbances into serially uncorrelated classical errors, the Prais-Winsten transformation of the first observation is not performed, and the first observation is dropped when estimating the transformed equation. See Baltagi (2001, p.82-83 and p.193) for details.

<sup>64</sup> If the number of cross-sectional units in the pooled data is much greater than the number of time periods per panel, I would not utilize the PCSEs estimator. At that time, the use of clustered standard errors performs more satisfactorily.

<sup>65</sup> In order to address a potential endogeneity issue that the economic growth of a region reciprocally affects the degree of its fiscal decentralization, Enikolopov and Zhuravskaya (2007) have considered a one-year lagged value of fiscal decentralization in their panel regression models.

of service delivery. Therefore, it is perceived as an engine for economic growth. On the other hand, Bardhan and Mookherjee (2000), Oates (1993), and Prud'homme (1995) are not in favor of decentralization. Bardhan and Mookherjee (2000) point out a smaller scale of service delivery because of high capture of local governments by local elites. Oates (1993) and Prud'homme (1995) stress that local bureaucrat's corruption may be rather stirred up by decentralization. Also, Prud'homme (1995) argues that decentralization may depreciate cost-effectiveness of the delivery system due to better economies of scope and economies of scale at national level.

Under the circumstances of an ongoing debate, a transition to democracy of Korea in 1987 forms the boundary between the authoritarian and democratic regimes, and thus it provides a good opportunity to identify and compare the efficacy of fiscal decentralization in the different political systems.<sup>66</sup>

Estimating the impact of fiscal decentralization on local development before and after democratization, I examine whether the efficiency of fiscal decentralization is greater in an economy that has become democratic. In order to capture a structural change in the causal relationship between local development and fiscal decentralization over the two-partitioned periods by a transition to democracy, the following econometric framework is built using the panel data of 11 regions across the periods of 1971-2001, and thereby we will estimate the regression equation and give attention to the effects of fiscal decentralization and its crossterm interacted with democratization.

$$DEVELOP_{it} = \alpha + \beta_1 FDEC_{it-1} + \beta_2 FDEC_{it-1} * REV_{it-1} + \gamma CONTROL_{it-1} + \eta_i + \theta_t + \varepsilon_{it} \quad (3)$$

where  $DEVELOP_{it}$  implies the levels of social and economic development in region  $i$  at the year  $t$ . For these dependent variables, I employ the estimates of 10 public goods and the growth rate of real per capita GRDP.  $FDEC_{it-1}$  denotes the regional level of fiscal decentralization with a one-year lag, and  $REV_{it-1}$  is a democratization dummy variable (0 before 1987; otherwise 1). We thus note that  $\beta_1$  and  $\beta_1 + \beta_2$  will capture the effect of fiscal decentralization on development before and after democratic revolution, respectively.  $CONTROL_{it-1}$  is a vector of covariates that includes the local tax share in GRDP to control for the wealth gap and distorting effects of taxes at the local level, the growth rate of regional labor force, the growth rate of regional population, the share at each region of the opposition seats in the National Assembly seats (*i.e.*, political opposition), the share of local valid votes in national valid votes in the National Assembly elections (*i.e.*, voting participation), and the local government spending by function

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<sup>66</sup> Alesina and Spolaore (1997), Beer (2004), Bird and Vaillancourt (1998), and Nickson (1995) argue that decentralization is triggered by democratization. The reason is that the democratic government would face explosive demand for decentralization and tend to be more responsive to it. In addition, Garrett and Rodden (2000), using panel data for the years of 1978-1997, show that democracy is positively related with the degree of decentralization. Panizza (1999) also suggests a similar regression result that the level of democracy is negatively associated with the degree of centralization, using the Tobit model technique.

such as expenditures on general administration, social development, economic development, and civil defense.  $\eta_i$  and  $\theta_t$  say the fixed effects of region and year, respectively.  $\varepsilon_{it}$  is an individual error component.

As discussed earlier, to address the possibility of both heteroskedasticity and serial correlation and make the regression estimation more robust results, I seek to estimate all models using two econometric techniques: (i) the computation of robust standard errors adjusted to heteroskedasticity and the allowance of clusters by region, and (ii) PCSEs method. What is more, to eliminate the potential of reverse causality – the level of development would be likely to decide to be (or not to be) fiscally decentralized – in measuring the effect of fiscal decentralization on development, I utilize a one-year lagged value for the series of panel estimates of fiscal decentralization. Consequently, we will be able to get more reliable estimate of coefficients ( $\beta_1$  and  $\beta_2$ ).

## 4.3 RESULTS

Tables 21-26 provide the panel-date analysis results about the impact of each type of civil society on the development of 10 public services as well as regional domestic product. Tables 21 and 22 are the estimation results from a baseline regression analysis, Tables 23 and 24 present the outcomes of sensitivity analysis with respect to additional covariates, and the same baseline model is re-estimated by the PCSEs method in Tables 25 and 26 to check the robustness of the results.

Next, Tables 27-29 disclose the panel regression estimation results about its efficacy in socioeconomic development, estimating the effect of fiscal decentralization under each of autocratic and democratic systems. Table 27 shows the analysis results from the baseline regression equations, Table 28 demonstrates the outcomes of sensitivity analysis with respect to additional covariates, and the identical baseline model is re-estimated by the PCSEs method in Table 29 to check the robustness of the results.

### 4.3.1 Civil Society, Democracy, and Socioeconomic Development

**4.3.1.1 The Impact of Civil Society on the Provision of Public Goods and Economic Growth** The 1987 democratic revolution was a decisive factor for a shift of political system from a dictatorship to a democracy. As discussed in the previous chapters, this historical event of Korea manifested itself in a series of reforms related to civil liberties, election system, tax system, and the authority and accountability of local governments, and thereby it led to the creation and promotion of democracy and the momentous

changes in politics and economics. So, Korean democratization in 1987 distinguishes a sample period (1972-2000) in my panel-data regression analysis into two comparable periods: pre-democratization period (1972-1987) & post-democratization period (1988-2000).

To examine whether the civil society scale that can become a proxy for democracy has a better (or worse) effect on public goods provision and economic growth under democratic regime, we measure a quantitative change in the causal relationship between them across the two periods discriminated by democratization. In other words, estimating the magnitudes of point estimates  $\beta_1$  and  $\beta_1+\beta_2$  in the equation (2) for nonpolitical civil society as well as in the equation (1) for political civil society, we interpret a difference ( $\beta_2$ ) between them.<sup>67</sup> In addition, we then have a chance to compare the effects from different types of civil society.

As the results of the baseline regression estimation for political civil society, Table 21 clearly presents that this type of civil society has a better effect on education services and health services under democracy but a worse effect on all variables in other categories of development – except *Sickbed* and *Bridge*. The preceding three columns in the table report the impact of political civil society on educational services, controlling for all fixed effects and the regional levels of tax, population, labor force, fiscal decentralization, political opposition, and voting participation. For the teacher-to-pupil ratio, political civil society is in favor of the qualitative growth of education both before and after 1987. Yet, it is noted that the point estimate of its coefficient has been improved in size by 0.663 from 1.214 to 1.877 across the two periods. It means that a one-unit increase in a scale of political civil society due to democratization develops the teacher-to-pupil ratio by 54.6%. Therefore, an increased coefficient of political civil society under democracy reflects that democracy has a favorable impact on the stimulating of educational services and so suggests how important a political system is. Those coefficients are even statistically significant at the 1-percent level and the 10-percent level. Furthermore, the primary school-to-enrolled student ratio and the gross (primary, secondary, tertiary) school-to-enrolled student ratio in the second and third column also draw a similar picture. When looking into the causal relationship between political civil society and those education variables, the positive coefficients of political civil society during pre-1987 and post-1987 periods exhibit that a greater scale of political civil society helps more schools be allocated to a region. However, we can know visibly that there exists a positive difference between its point estimates across the two periods. Although the differential effect of political civil society is statistically insignificant, it is highly probable. This is because the impacts of political associations across a post-democratization period as well as a pre-democratization period are affirmative at the 1-percent

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<sup>67</sup> Since I use a crossterm of civil society and democratization along with a single term of civil society in a linear regression equation,  $\beta_1$  will estimate only the effect of civil society before a transition to democracy in 1987 econometrically. Its effect after 1987 will be captured by  $\beta_1+\beta_2$ .



significance level, and thus a difference between the two significant coefficients is able to disclose a meaningful upward shift in the post-1987 impact. When computing a gap between the pre-1987 and post-1987 coefficients to consider a differential effect, each of the primary school-to-enrolled student ratio and the gross school-to-enrolled student ratio reports 0.769 and 1.312 as point estimates for a pure change in the effect of political civil society due to democratization.

Also, health services (the fourth through seventh column in Table 21) get more beneficial effect from political civil society under democratic system except *Sickbed*. Namely, a DPT (Diphtheria, Pertussis, and Tetanus) immunization rate and a mortality rate as well as a hospital distribution relative to regional population have improved largely, experiencing democracy. The point estimate for the effect of political civil society on hospital distribution has been increased by 0.705 from -1.797 to -1.092, and the DPT vaccination rate demonstrates a positive change of 0.730 point (from -0.984 to -0.255) in the magnitude of coefficient between before and after 1987.<sup>68</sup> Moreover, as political civil society restrains the rate of mortality by 0.916 point across the two periods, a better public health service is observed under democracy. Therefore, we notice that the provision of health services commonly has a positive relationship with democratic practice (*i.e.*, a greater scale of political civil society) if we exceptionally take a negative shift in the effect on the number of hospital sickbeds per capita.

Now, I set my face toward capturing the economic effect of political civil society in the aspect of infrastructure. Social overhead capital (SOC) is then dealt within the purview of road, bridge, and water supply capacity. A road quality, measured by the paved road length divided by the total road length, significantly tells that political civil society brings a detrimental effect to it during both of different periods and specifically the effect is worse under democracy with a downward change in point estimate by 0.594.<sup>69</sup> An identical interpretation also applies to the causal relationship between water supply capacity and political civil society – its point estimate has been -0.466 before 1987 and has become aggravated into -5.753 after 1987. Thus, it is recognized that democratization appears to be unfavorable to the advance of SOC procurement, although a bridge construction uncovers an increase of coefficient across the two political regimes along the more improved impact of political civil society in democratic economy. Those results are coherent with the following regression outcomes about regional domestic product growth.

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<sup>68</sup> Concerning the direction of civil society effects, their negative impacts can be explained when taking into account the rent-seeking activities of Korean civil society organizations: for instance, conspiracies among public officials and private contractors to extract excessive political and economic profits from state. For more proofs, refer to Appendix D.

<sup>69</sup> As Olson (1982), Portes and Landolt (1996), Schamis (1999), and Skidmore (2001) pointed out, civil society organizations can have a harmful impact on development as a rent-seeking coalition. Rents produce deadweight losses to overall economic welfare. Korean civil society organizations have also conducted the rent-seeking activities, and Appendix D gives clear evidence for them.

We see that the effect of political civil society on economic growth significantly makes a descending change between before and after democratic transition. This change is even accompanied with an alteration of the coefficient sign from a plus (0.406) to a minus (-0.196).<sup>70</sup> In other words, an expansion of political civil society under democratic system appears to damage the rapid growth of local economy, whereas political civil society plays a role as an essential determinant on regional domestic product growth.

Table 22 presents the effect of nonpolitical civic groups on the provision of public goods and services and economic growth. Compared to political civic groups, nonpolitical associations generally have slowed down the enlargement of education services, health services, and SOC with a transition to democracy but have revealed an ameliorating effect for economic growth. More specifically, regarding three dependent variables (*Teacher-to-Pupil*, *Primary school*, *Schools*) in education services, nonpolitical associations manifest their divergent influence along a coefficient of 0.174 before 1987 and a coefficient of 0.153 after 1987. This significant reduction across the two periods in size of point estimate of the coefficient contrasts with a positive differential effect of political associations. For example, a nonpolitical group lessens the teacher-to-pupil ratio merely by 0.021 across dictatorship to democracy, but a political group promotes it by 0.663. To put it another way, political groups cause a larger and more visible change in the provision of education services with a commencement of democracy than nonpolitical groups do.<sup>71</sup> That can be explained by heterogeneity between the two types of civic group, as discussed in Chapter 2: heterogeneity in a sensitive reaction and a prompt participation by (i) the availability of an immediate motivation to mobilize members and (ii) time necessary for civic groups to take in equipping their members with the social skills, expectations, and attitudes useful for political activity. Along with the previous Table 11, Table 30 testifies that different types of Korean civic organization have a dissimilar political participation concentration on the basis of data about the number of cases of political assembly and demonstration – a political group has more vigorous participation in most cases than a nonpolitical group.

Also for the impact of nonpolitical civic associations on health services, we can analyze it in the same manner. When we interpret the estimates of  $\beta_1$  and  $\beta_2$ , the results about *Hospital*, *Sickbed*, and

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<sup>70</sup> In addition to the rent-seeking activities of Korean civil society organizations, a state-led capitalism overdeveloped the central government even after democratization. This allowed the legacy of the closed ties between government and business (Grugel, 2002). Especially, the link behind the scenes between government and chaebol (*i.e.*, a South Korean form of business conglomerate) produced many illegal and unfair transactions, even though it was helpful to a rapid economic growth of Korea. Korean civic groups made all their efforts to monitor, discover and cut such harmful ties against a pro-business policy, and institutionalized a variety of decision procedures sometimes unfavorable to a rapid economic growth.

<sup>71</sup> Even looking into the coefficient under democracy alone, the absolute value of coefficient from political civil organizations is greater than that from nonpolitical civil organizations. It means that political civil society gives rise to a deeper change in the provision of public goods related to education services even when we consider only a democratic period.

*Mortality* show that nonpolitical associations have been beneficial to those three variables under dictatorial system and yet have been detrimental to them inaugurating democratic system. It implies that a greater scale of nonpolitical civil society with crossing the boundary between dictatorship and democracy has not promoted the provision of health services. The absolute value of such a damaging effect over the two regimes is smaller than the absolute-value effect of political civil society on public health goods, and so it becomes clear that the civic associations of nonpolitical type have less influence upon health services in comparison with those of political type. Although *Immunization* indicates the increasing effect of nonpolitical civic groups across dictatorship to democracy exceptionally, it generates a consistent result with other health service variables which demonstrates the lesser effect of nonpolitical groups.

All SOC variables produce the result identical with *Hospital*, *Sickbed*, and *Mortality* – the more favorable influence of nonpolitical groups is described before 1987 rather than after 1987. The differential effects translated by a coefficient  $\beta_2$  suggest how far the post-1987 effects have got harmful. Through those effects getting worse over the two periods, we perceive that a nonpolitical group has been less helpful to the provision of SOC inaugurating the era of democracy. In addition, the absolute values of estimates of coefficients for these organizations still tell a fact coherent to the results observed from all other dependent variables, which is that a political group is more influential in socioeconomic development than a nonpolitical group.

In contrast to other development variables, economic growth presents a positive change in the influence of nonpolitical associations due to democratization. Namely, democracy has made nonpolitical civil societies be supportive to the growth by weakening their damaging impact by 0.001 point. But, it is noted that the magnitude of the differential effect is not quite large. When comparing the effects from different types of civil society, we also clearly find that political groups are more deeply related to the growth of regional domestic product than nonpolitical groups are.

**4.3.1.2 Sensitivity Analysis** In order to check the robustness of the results in section 4.3.1.1, I conduct two sensitivity analyses. One is to estimate the models including the following additional covariates: the expenditures of subnational government classified by their function. The other is to evaluate the baseline regression models by a different econometric analysis technique, PCSEs method, because this estimation method is appropriate for the data analysis which has the number of time periods per panel larger than the number of cross-sectional units.

First, each of Table 23 and Table 24 shows the result of sensitivity analysis about the economic effect of political civil society and nonpolitical civil society, considering local government expenditures on general administration, social development, economic development, and defense. Now to conclude, all the two tables testify that the estimation results in Table 21 and Table 22 are robust. Namely, it is

confirmed that a greater scale of political civil society with democratic practice usually has a better effect on education services and health services but a worse effect on other development categories such as social overhead capital and regional domestic product. Moreover, it is reaffirmed that the civic groups of nonpolitical type generally have a doubtful standpoint on the enlargement of education services and health services and the provision of social overhead capital with a commencement of democracy – there is an exception for *Bridge* and *GRDP* in the case of nonpolitical associations. Concerning different effects of the two types of civic associations, we can also state again clearly and firmly that the dissimilar extent of a change in the effect of each type of civic association across dictatorship to democracy reveals that political groups have brought a larger and more visible impact into socioeconomic development with democratizing Korea than nonpolitical groups have.

Likewise, PCSEs estimation convinces that the baseline regression results are robust and reliable. When using 10 to 20 cross-sectional units and 10 to 40 time periods per panel, PCSEs estimates are very strong and also asymptotic with an increasing  $i$  even in the presence of complicated panel error structures. Based on these advantages, they provide the analysis outcome for political civil society and nonpolitical civil society in Table 25 and Table 26, respectively. Even though the negative differential effect of nonpolitical groups on *Teacher-to-Pupil* has been reversed to be positive, all those results are consistent with the findings discussed and emphasized previously.

### **4.3.2 Fiscal Decentralization and the Korean Political System**

**4.3.2.1 The Efficacy of Fiscal Decentralization in Socioeconomic Development** Korean democratic revolution in 1987, which is a borderline event between the autocratic and democratic eras, also provides a good opportunity to identify and compare the efficacy of fiscal decentralization in the different political systems. In order to investigate whether the level of fiscal decentralization stimulated by democratic system leads to better public goods and greater economic growth or not, I make the effect of fiscal decentralization on socioeconomic development in dictatorship (1972-1987) compete with that in democracy (1988-2000) –  $\beta_1$  and  $\beta_1+\beta_2$  in the equation (3). A difference in magnitude of coefficients over such a big political shift will be useful in judging the effectiveness of fiscal decentralization, then.

Table 27 states the result of baseline regression estimation that fiscal decentralization has a better effect on health services and SOC (except a supply of water) under democracy but a worse effect on education services and regional domestic product growth. First, the variables of education services manifest the inferior efficacy of fiscal decentralization in an economy which has become democratic along its bigger positive influence before 1987 and its smaller positive influence after 1987. Specifically, it is discovered in the causal relationship between the teacher-to-pupil ratio and fiscal decentralization that

a magnitude of its point estimate suffers a significant decline from 0.450 to 0.292. In other words, a one-unit improvement in the level of fiscal decentralization has augmented 29.2 teachers per 100 pupils under the democratic system, whereas it has increased the teacher of 45 per 100 pupils under the autocratic system. As the estimate of  $\beta_2$  indicates, the efficiency of fiscal decentralization has diminished in size by 0.158 point across autocracy to democracy. Besides, the primary school-to-enrolled student ratio and the gross (primary, secondary, tertiary) school-to-enrolled student ratio exhibit the identical result, controlling for all fixed effects and the regional levels of tax, population, labor force, political opposition, and voting participation – fiscal decentralization in the era of democracy appears to be less favorable to the qualitative growth of education by retarding the enlargement of local educational institutions.

Secondly, however, health services (the fourth through seventh column in Table 27) present the successful efficacy of fiscal decentralization in an economy that has become democratic. A hospital distribution relative to local population, the number of hospital sickbeds per capita, a DPT (Diphtheria, Pertussis, and Tetanus) immunization rate, and a mortality rate have improved largely, experiencing democracy. More precisely, the point estimate for the effect of fiscal decentralization on hospital distribution has been increased from 0.176 to 0.452, and even a mortality rate significantly demonstrate a positive change in a sign of coefficient for the effect of fiscal decentralization – fiscal decentralization restrains the rate of mortality from 0.012 to -0.007 across the autocratic and democratic periods. Likewise, both hospital sickbed and DPT vaccination rates also show the greater efficacy of fiscal decentralization in the democratic system through a positive differential effect of 0.662 and 0.001, respectively. In sum, a better public health service has been materialized after 1987. We thus notice that fiscal decentralization is considerably efficient for the expansion of health services when an economic system has been democratized.

Now, I set my face toward identifying the efficacy of fiscal decentralization within the purview of social overhead capital such as road, bridge, and water supply capacity. In the case of a road quality<sup>72</sup>, we perceive that the coefficient of fiscal decentralization is larger in size after the 1987 democratization. A bridge construction is not different from a road quality in the sense of showing clearly as well that fiscal decentralization exerts a better influence on it under the democratic system. These appear to imply that fiscal decentralization is more effective to the advance of SOC procurement under democracy, even though water supply capacity takes a larger and better impact of fiscal decentralization in a non-democratized economy. Those results are coherent with the earlier outcomes about health services.

On the contrary, concerning economic growth, we detect that the effect of fiscal decentralization on regional domestic product has suffered a downward shift in size after a transition to democracy. Fiscal decentralization still has a helpful impact on the growth of GRDP before and after 1987. But,

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<sup>72</sup> This variable is measured by the paved road length divided by the total road length.

inaugurating democracy, it has got a diminution of 0.096 point in a coefficient for its own effect on GRDP. To put it another way, fiscal decentralization in democracy appears to be inferior in encouraging the rapid growth of local economy, compared with that in dictatorship. To sum up, we realize that the efficacy of fiscal decentralization is not always greater in an economy that has become democratic.

**4.3.2.2 Sensitivity Analysis** In order to check the robustness of those results from Table 27, the two sensitivity analyses are considered as previously performed in section 4.3.1.2. One is to estimate the models including the following additional covariates: the expenditures of subnational government classified by their function. The other is to evaluate the baseline regression models with the panel corrected standard errors method, because this econometric analysis technique is appropriate for the data analysis which has the larger number of time periods per panel than the number of cross-sectional units and simultaneously powerful in the presence of typical panel error structures.

Sensitivity analysis with regard to the inclusion of additional covariates testifies to the robustness of the results stated in section 4.3.2.1. Under the system of democracy, the least-squares estimates in Table 28 still show the better influence of fiscal decentralization on health services and SOC and its worse influence on education services and regional domestic product. Controlling for the direct effects of all subnational government expenditures (*i.e.*, local spending on general administration, social development, economic development, and defense), it is significantly confirmed that fiscal decentralization has a smaller positive coefficient in the causal relationship with each variable of education services posterior to 1987, whereas it produces a bigger positive coefficient prior to 1987. Concerning the growth of regional domestic product as well, we can state again clearly and firmly such negative differential effect between the two periods on the basis of point estimates for the favorable impact before 1987 and deteriorated impact after 1987. But, this inferior efficacy of fiscal decentralization under democracy is not detected in the provision of health services and SOC any more. For instance, fiscal decentralization has actualized the enlargement of health services through helping lessen the rate of mortality by 1.8 percentage point across autocracy to democracy. This improvement of the efficiency under the democratic economy is also recognized from the associations between fiscal decentralization and *Hospital*, *Sickbed*, *Road*, and *Bridge*. To sum up, an overview of all the above results appear to renovate a stereotyped view that fiscal decentralization should always make better outcomes in an economy which has become democratic.

Table 29 reports the PCSEs estimation outcomes about the effect of fiscal decentralization, and then they also provide the findings consistent with those from the earlier robustness check – fiscal decentralization has made more contribution to the development of health services and SOC after democratic transition, but other categories of development have experienced a decline in magnitude of

coefficient for the effect of fiscal decentralization during a post-democratization period. It implies that fiscal decentralization does not consistently lead to more efficient growth and governance of public goods in an economy which has become democratic. This conclusion is reliable in the sense that when using 10 to 20 cross-sectional units and 10 to 40 time periods per panel, PCSEs estimates are very strong and also asymptotic with an increasing  $i$  even in the presence of complicated panel error structures.

## 5.0 CONCLUDING REMARKS

A few literatures on growth have explored and proposed why a heterogeneous development level is caused socially and economically, but these papers sometimes overlook an importance of political institution and system. Seriously, political institution and system are the critical factors of development because they determine the effectiveness of communication between government, market, and society members. In addition to that, even if a lot more data are becoming available now including time series, there are surprisingly little good empirics done at within-country level over time variation. Thus, a panel-data analysis of such a political effect on growth will advance its own value as very hot topic for research to a higher position.

This study has investigated the causal effect of civil society on socioeconomic development before and after democratization on the basis of Korean panel data. Then, the comparison of the civil society coefficient estimated in each of different political systems has revealed that civil society makes a differential effect over the two systems – the point estimate of civil society coefficient has a significant shift in magnitude across the years prior and posterior to democratic revolution. This is because not only democratic transition accompanies a change in political institutions intertwined with the socioeconomic roles of civil society, but also civil society is engaged in rent seeking. Even though different (*i.e.*, political *vs.* nonpolitical) types of civil society have not shown equivalent impact toward growth between them, such differential effects across the two political systems are perceived from both of them and the empirical results are robust to sensitivity checks. Therefore, we realize that democracy<sup>73</sup> exerts influence on development ultimately.

Since a transition to democracy of Korea in 1987 forms the boundary between the authoritarian and democratic regimes, it also provides a good opportunity to identify and compare the efficacy of fiscal decentralization in the different political systems. In this context, the impact of fiscal decentralization on socioeconomic development before and after democratization has clarified whether the efficiency of fiscal decentralization is greater in an economy that has become democratic. Namely, we have had robust

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<sup>73</sup> Some caution is necessary in interpreting my results. Through them, I provide evidence for the effect of civil society on social and economic development to look into the growth effect of democracy, because the depth of civil society becomes a good proxy for the level of democratic practice. Additionally, I do not imply that socioeconomic growth has no effect on democracy.



evidence that fiscal decentralization is highly likely to generate inferior outcomes under democracy, even though its different effects are offset across dictatorship to democracy in the long-run economy and so only a single positive effect appears to be exerted.

To sum up, we can learn a great deal from Korean case. The first reason is that a natural experiment of such a country contributes to testing the effect of democracy on dynamic socioeconomic expansion, because Korea represents a borderline circumstance between dictatorship and democracy. The second one is that a panel data approach about the cause of public goods provision and economic growth is practicable. Ideally, I worked with the pooled time-series cross-section data from all of Korea's geographic territories. In comparison with the cross-country analysis, the estimates of within-variation analysis are less likely to be biased due to individual unobserved heterogeneity, because socioeconomic disparities are much less pronounced within a country. Therefore, my study makes some advance in evaluating the growth impact of democracy more objectively than the cross-country research which meets with the unobserved and more striking distinctions in cultural, historical, and institutional characteristics (across countries). Additionally, it provides some efforts to systematically analyze the actual effect of political system on the overall public sector in Korea.

For one possible avenue for the further research, in our empirical analysis, we can consider using the first-difference (FD) method – specifically, a lag of the FD estimator – to compare its estimation results with those of our least-squares and PCSEs methods when there are the fixed effects. As a matter of fact, I have utilized a yearly lag of the fixed-effects (FE) estimator to address and eliminate reverse causality in the regression analysis. The reason is that not only the FE estimation is better implemented for any of balanced and unbalanced panels than the FD estimation, but also it should deal with the latent bias source such as the omitted variables. However, the lag of the FE estimator would not be the ideal solution in case that its time-average term is not exogenous. Therefore, it will be useful to check the possibility of endogeneity problem through a lag of the FD estimator in our empirical analysis. Concerning this issue, finding a valid instrumental variable is another good approach. But unfortunately, sometimes it is not possible to discover such ideal instruments, and so Acemoglu (2005) and Enikolopov and Zhuravskaya (2007) even state “the problem of finding valid instruments for specific political factors is one of the biggest problems in political economy.” In this context, we need to settle for an alternative approach of using a one-year lagged estimator and it is better than not having an instrument. However again, if there is any chance of finding great instruments, one should try to do this.

As the other possible avenue for the further research, we will be able to look at post World-War II Japan. Even though Japan has had continuous democracy after the enforcement of the ‘Treaty of San Francisco (Treaty of Peace with Japan)’ in 1952, it experienced a noteworthy political shift – from the limited democracy in which one party maintains control for all except a few months ever since 1955 to

the democracy improved with more political competitions ever since 1993. And over this period, it also underwent a big economic shift from high-speed growth to much slower growth. Thus, it should be attractive to investigate the association between such political and economic shifts. And speaking about the data analysis circumstances, the case study of Japan has the advantage of excellent data on both economic and social conditions, both at the national and prefectural (equivalent to U.S. states and Korean regions). This research is also expected to contribute to identifying an intimate connection of economics with politics.

## 6.0 TABLES AND FIGURES

**[Table 1]** Power Sharing between the Chief Executive and Local Council

Local councils	Chief executives
<ul style="list-style-type: none"> <li>• Enact ordinances</li> <li>• Audit and Investigate local administration</li> <li>• Review and decide budget proposal</li> <li>• Approve the account closings</li> <li>• Summon the executives and officials to the council meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Promulgate ordinances</li> <li>• Veto power</li> <li>• Formulate budget bills</li> <li>• Propose ordinance bills</li> <li>• Attend council meetings</li> <li>• Request the convocation of special sessions of council meetings</li> <li>• Appoint the administrative staffs of local councils</li> </ul>

[Table 2] Definition of the Local Taxes

Tax	Definition
Acquisition tax	An acquisition tax is charged on the price of real estate, motor vehicles, heavy equipment, trees, and boats. The minimum rate is 2 percent. A 4 percent tax is applied to non-business cars purchased in excess of one car per house. A 10 percent tax is charged on acquisitions in major cities, and a 15 percent rate is applied to luxury items, such as villas, golf courses, and land for non-business purposes, sedans, and yachts.
Automobile tax	An automobile tax is imposed on various vehicles purchased for either business or non-business purposes. The tax, which depends on the type of vehicle and engine capacity, generally ranges from W18 to W370 per cc for a year.
Butchery tax	A tax of 1 percent or less is imposed on the market prices (as published by a city or county mayor) of butchered oxen and pigs.
City planning tax	A person who owns land or houses within an area designated by a mayor or county commissioner is charged with the city planning tax at rates ranging from 0.2 to 0.3 percent of the value of the land or house.
Farmland tax	An annual tax calculated at progressive rates, ranging up to 50 percent, is imposed on the income from certain defined farm products, net of the related expenses.
Horse-race tax	The Korea Horse Race Association is responsible for payment of a tax of 10 percent, plus education surtax of 50 percent, on the gross income from sales of horse race tickets.
Possession Tax of Land Abundance	This tax is imposed to an individual or a corporation which possesses land excessively.
Property tax	A yearly tax ranging from 0.3 to 7 percent is charged on the statutory value of houses, mining lots, vessels, heavy equipment, and aircraft. The property tax rate increases to five times 0.3 percent on the value of property newly constructed or expanded in a big city for five years from the initial date of assessment.
Registration tax	A registration tax ranging from 0.1 to 3 percent is also charged upon the transfer of title and incorporation. Registration upon the transfer of title and incorporation for corporations located in big cities may be subject to five times the rates otherwise applied.
Resident tax	The resident (or inhabitant) tax is a surcharge applied on other national taxes, at a rate of 10 percent (7.5 percent before 1996) of the base tax liability. Both corporate and individual taxpayers pay the resident tax to the city or province in which they are domiciled.
Tobacco sales tax	A taxpayer importing tobacco or selling manufactured tobacco must file a monthly return and pay taxes to the mayor or the county commissioner in amounts ranging from W460 to W9100, generally on the basis of weight.

**[Table 3]** Growth Rate (%) of Real GRDP per capita

	Average (1971-1987)	Average (1988-2001)
Seoul	8.35	5.11
Busan	7.76	4.53
Gyeonggi	10.20	6.32
Gangwon	10.33	4.89
N. Chungcheong	9.35	7.75
S. Chungcheong	9.48	7.63
N. Jeolla	10.87	5.26
S. Jeolla	11.08	7.56
N. Gyeongsang	9.65	7.44
S. Gyeongsang	12.25	6.56
Jeju	11.41	5.30
Min	7.76	4.53
Max	12.25	7.75
Std Dev	1.33	1.24

**[Table 4]** Economics before and after the 1987 Democratization of Korea

	Mean		Difference
	<i>Before 1987</i>	<i>After 1987</i>	
GRDP	0.102	0.062	0.040*** (0.010)
Teacher-to-pupil	0.023	0.036	-0.013*** (0.001)
Primary school	0.0014	0.0018	-0.0005*** (0.0001)
Schools	0.0012	0.0015	-0.0003*** (0.0001)
Immunization	0.106	-0.002	0.107*** (0.029)
Mortality	-0.079	-0.022	-0.057*** (0.022)
Hospital	0.030	0.060	-0.030*** (0.002)
Sickbed	0.002	0.004	-0.002*** (0.0002)
Road	0.418	0.745	-0.327*** (0.016)
Bridge	6.719	6.874	-0.155* (0.109)
Water supply	6.201	7.135	-0.935*** (0.122)

[NOTE] For the description of each economic variable, refer to the Appendix A. Standard errors are shown in parentheses. The null hypothesis is that Difference is equal to zero, where Difference is a gap between Mean(*Before 1987*) and Mean(*After 1987*). \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 5]** Ratio of Provincial Spending to Central Spending (%)

	General		Special		Consolidated	
	Average (1971-1987)	Average (1988-2001)	Average (1971-1987)	Average (1988-2001)	Average (1971-1987)	Average (1988-2001)
Seoul	6.69	11.10	8.25	8.49	7.29	10.07
Busan	1.83	3.94	2.37	3.14	2.04	3.63
Gyeonggi	4.70	13.03	2.54	7.44	3.86	10.82
Gangwon	2.39	3.95	0.78	1.18	1.76	2.85
N. Chungcheong	1.91	2.87	0.75	0.97	1.46	2.12
S. Chungcheong	2.95	5.46	0.87	2.61	2.14	4.33
N. Jeolla	2.49	3.95	0.72	1.86	1.80	3.13
S. Jeolla	3.91	6.72	1.43	3.08	2.95	5.28
N. Gyeongsang	4.67	8.54	1.95	3.88	3.62	6.70
S. Gyeongsang	3.92	6.36	1.65	3.36	3.04	5.17
Jeju	0.60	1.23	0.21	0.41	0.45	0.90
Min	0.60	1.23	0.21	0.41	0.45	0.90
Max	6.69	13.03	8.25	8.49	7.29	10.82
Std Dev	1.70	3.58	2.22	2.56	1.80	3.13

**[Table 6]** Ratio of Provincial Spending to GRDP (%)

	General		Special		Consolidated	
	Average (1971-1987)	Average (1988-2001)	Average (1971-1987)	Average (1988-2001)	Average (1971-1987)	Average (1988-2001)
Seoul	4.01	7.56	3.13	3.78	7.13	11.34
Busan	3.41	9.39	2.79	4.89	6.20	14.28
Gyeonggi	5.31	10.07	1.81	3.77	7.12	13.84
Gangwon	10.00	22.53	2.07	4.42	12.06	26.95
N. Chungcheong	9.42	14.60	2.35	3.23	11.78	17.83
S. Chungcheong	7.67	13.21	1.42	4.13	9.10	17.34
N. Jeolla	8.55	17.34	1.57	5.34	10.12	22.68
S. Jeolla	8.02	14.29	1.86	4.29	9.88	18.58
N. Gyeongsang	7.00	14.56	1.85	4.33	8.85	18.89
S. Gyeongsang	5.96	8.84	1.58	3.05	7.55	11.90
Jeju	9.54	19.13	2.08	4.15	11.62	23.29
Min	3.41	7.56	1.42	3.05	6.20	11.34
Max	10.00	22.53	3.13	5.34	12.06	26.95
Std Dev	2.25	4.54	0.56	0.61	1.99	4.80

**[Table 7]** Ratio of Provincial Spending *per capita* to Central Spending *per capita* (%)

	General		Special		Consolidated	
	Average (1971-1987)	Average (1988-2001)	Average (1971-1987)	Average (1988-2001)	Average (1971-1987)	Average (1988-2001)
Seoul	30.07	49.13	35.36	37.59	32.15	44.58
Busan	21.67	47.00	26.70	37.65	23.65	43.32
Gyeonggi	33.72	57.73	17.18	33.94	27.22	48.35
Gangwon	51.40	117.76	16.49	35.44	37.69	85.30
N. Chungcheong	50.97	90.35	19.71	30.94	38.70	66.93
S. Chungcheong	37.77	78.53	10.82	38.01	27.19	62.55
N. Jeolla	41.63	91.65	11.85	43.37	29.94	72.61
S. Jeolla	39.07	88.43	14.07	40.65	29.25	69.59
N. Gyeongsang	35.79	74.33	14.64	33.99	27.48	58.42
S. Gyeongsang	45.16	73.97	18.48	39.76	34.68	60.48
Jeju	49.59	107.27	16.87	35.85	36.74	79.11
Min	21.67	47.00	10.82	30.94	23.65	43.32
Max	51.40	117.76	35.36	43.37	38.70	85.30
Std Dev	9.32	22.56	7.06	3.49	5.00	13.70



**[Table 8]** Regional Distribution of Civil Society Organization (CSO) over Population

	Mean		Difference
	<i>Before 1987</i>	<i>After 1987</i>	
Seoul	1.637 (0.019)	2.804 (0.176)	-1.167*** (0.159)
Busan	0.165 (0.008)	0.494 (0.047)	-0.329*** (0.043)
Gyeonggi	0.210 (0.007)	0.450 (0.033)	-0.240*** (0.030)
Gangwon	0.139 (0.009)	0.564 (0.058)	-0.425*** (0.053)
N. Chungcheong	0.246 (0.017)	0.729 (0.055)	-0.483*** (0.053)
S. Chungcheong	0.234 (0.016)	0.677 (0.052)	-0.443*** (0.050)
N. Jeolla	0.205 (0.025)	0.916 (0.095)	-0.711*** (0.089)
S. Jeolla	0.161 (0.013)	0.603 (0.072)	-0.442*** (0.066)
N. Gyeongsang	0.162 (0.015)	0.504 (0.040)	-0.342*** (0.040)
S. Gyeongsang	0.082 (0.011)	0.379 (0.035)	-0.297*** (0.034)
Jeju	0.318 (0.015)	0.798 (0.069)	-0.480*** (0.064)

[NOTE] The number of observations is 16 and 13 for *Before 1987* and *After 1987*, respectively. Standard errors are shown in parentheses. The null hypothesis is that Difference is equal to zero, where Difference is a gap between Mean(*Before 1987*) and Mean(*After 1987*). \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 9]** Regional Opposition Voting Share

	Dictatorship	Democracy
Seoul	0.443	0.357
Busan	0.417	0.263
Gyeonggi	0.326	0.292
Gangwon	0.264	0.286
N. Chungcheong	0.268	0.318
S. Chungcheong	0.273	0.391
N. Jeolla	0.315	0.459
S. Jeolla	0.272	0.550
N. Gyeongsang	0.262	0.302
S. Gyeongsang	0.274	0.241
Jeju	0.155	0.249

[NOTE] Average of opposition voting share (= Opposition's valid votes / Total valid votes) in the National Assembly elections in 1971, 1973, 1978, 1981, 1985 (before democratization), and 1988, 1992, 1996, 2000 (after democratization).

**[Table 10]** Regional Opposition Seats Share

	Dictatorship	Democracy
Seoul	0.627	0.550
Busan	0.638	0.499
Gyeonggi	0.450	0.422
Gangwon	0.422	0.402
N. Chungcheong	0.450	0.505
S. Chungcheong	0.468	0.766
N. Jeolla	0.533	0.721
S. Jeolla	0.493	0.789
N. Gyeongsang	0.492	0.511
S. Gyeongsang	0.500	0.505
Jeju	0.500	0.583

[NOTE] Average of opposition seats share (= Opposition's seats / Total seats) in the National Assembly elections in 1971, 1973, 1978, 1981, 1985 (before democratization), and 1988, 1992, 1996, 2000 (after democratization).

**[Table 11]** Different Participation Concentration by Group Types in Political Assembly and Demonstration (1988-2007)

	<i>Number of Cases</i>	<i>Proportion</i>
Political groups	1613	65.38%
Nonpolitical groups	854	34.62%

[Source] East Asia Institute and Center for European Studies in Harvard University (2008). *Assembly, Demonstration and Democracy in Korea after Democratization*, The Logic of Civil Society: Contentious Politics in New Democracies.

**[Table 12]** Descriptive Statistics of the Key Variables

Variables	Number of observations	Mean	Standard Deviation	Min	Max
Year	330	1986.5	8.669	1972	2001
Region	330	6	3.167	1	11
GRDP	330	0.084	0.091	-0.206	0.528
Hospital	330	0.044	0.021	0.015	0.113
Sickbed	242	0.004	0.002	0.001	0.010
Immunization	319	0.054	0.265	-0.534	1.317
Mortality	231	-0.041	0.160	-0.523	0.723
Teacher-to-Pupil	330	0.029	0.009	0.014	0.051
Primary school	330	0.002	0.001	0.0002	0.004
Schools	242	0.001	0.001	0.0003	0.003
Road	253	0.617	0.204	0.189	0.998
Bridge	253	6.813	0.852	4.828	7.940
Water supply	253	6.770	1.049	4.691	8.942
PCSO	319	0.042	0.030	0.006	0.167
Crossterm: PCSO & Democratization	319	0.025	0.035	0	0.167
NPCSO	319	0.525	0.597	0.041	3.571
Crossterm: NPCSO & Democratization	319	0.349	0.598	0	3.571
FDEC	330	0.549	0.257	0.172	1.475
Crossterm: FDEC & Democratization	330	0.348	0.408	0	1.475
Local tax	330	0.027	0.014	0.006	0.085
Labor force	330	-0.024	0.047	-0.185	0.205
Population	330	0.007	0.018	-0.028	0.057
Political opposition	330	0.160	0.280	0	1
Voting participation	330	0.027	0.052	0	0.244
Expenditure on GA	330	0.238	0.060	0.127	0.418
Expenditure on SD	330	0.222	0.093	0.023	0.446
Expenditure on ED	330	0.427	0.074	0.183	0.635
Expenditure on CD	330	0.016	0.009	0	0.058

**[SOURCES]**

*Directory of Korean NGOs, 2000 (The Korean NGO Times)*  
*Financial Yearbook of Local Government (Ministry of Finance and Economy)*  
*Korea Institute For Industrial Economics and Trade*  
*Korean Statistical Information Service (Korea National Statistical Office, <http://www.kosis.kr>)*  
*Korea Statistical Yearbook (Korea National Statistical Office)*  
*Statistical Yearbook of National Tax (National Tax Service)*  
*Yearbook of Health and Social Statistics (Ministry of Health and Social Affairs)*  
*Yearbook of Health and Welfare Statistics (Ministry of Health and Welfare)*

**[Table 13]** Regional Distribution of Political Civil Society Organization over Population

	Mean		Difference
	<i>Before 1987</i>	<i>After 1987</i>	
Seoul	0.028	0.087	-0.059*** (0.011)
Busan	0.011	0.026	-0.016*** (0.003)
Gyeonggi	0.018	0.029	-0.012*** (0.002)
Gangwon	0.027	0.061	-0.034*** (0.008)
N. Chungcheong	0.037	0.056	-0.019*** (0.003)
S. Chungcheong	0.015	0.047	-0.032*** (0.004)
N. Jeolla	0.032	0.079	-0.046*** (0.008)
S. Jeolla	0.030	0.057	-0.027*** (0.003)
N. Gyeongsang	0.018	0.033	-0.014*** (0.002)
S. Gyeongsang	0.024	0.039	-0.015*** (0.002)
Jeju	0.093	0.105	-0.012*** (0.004)

[NOTE] The number of observations is 16 and 13 for *Before 1987* and *After 1987*, respectively. Standard errors are shown in parentheses. The null hypothesis is that Difference is equal to zero, where Difference is a gap between Mean(*Before 1987*) and Mean(*After 1987*). \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 14]** Correlation between Political Civil Societies at year  $t$  and year  $t-1$ 

	<i>Dictatorship</i>	<i>Democracy</i>	<i>Total sample period</i>
Seoul	0.9453	0.9808	0.9907
Busan	0.6783	0.9634	0.9733
Gyeonggi	0.6035	0.9584	0.9697
Gangwon	0.5430	0.9739	0.9813
N. Chungcheong	0.7647	0.9308	0.9568
S. Chungcheong	0.9085	0.9550	0.9832
N. Jeolla	0.8944	0.9740	0.9867
S. Jeolla	0.9354	0.9498	0.9829
N. Gyeongsang	0.6572	0.9446	0.9654
S. Gyeongsang	0.8507	0.9443	0.9596
Jeju	0.5808	0.7257	0.7431

[NOTE] The numbers are reported by the correlation between  $CSO_{i,t}$  and  $CSO_{i,t-1}$  in each region  $i$  over the time  $t$  under dictatorship, democracy, and total sample period.

**[Table 15]** Regional Distribution of Nonpolitical Civil Society Organization over Population

	Mean		Difference
	<i>Before 1987</i>	<i>After 1987</i>	
Seoul	1.619	2.717	-1.099*** (0.149)
Busan	0.163	0.477	-0.313*** (0.040)
Gyeonggi	0.206	0.423	-0.217*** (0.029)
Gangwon	0.137	0.524	-0.387*** (0.046)
N. Chungcheong	0.243	0.715	-0.472*** (0.051)
S. Chungcheong	0.232	0.645	-0.413*** (0.046)
N. Jeolla	0.198	0.862	-0.663*** (0.080)
S. Jeolla	0.152	0.579	-0.428*** (0.063)
N. Gyeongsang	0.159	0.483	-0.323*** (0.036)
S. Gyeongsang	0.077	0.360	-0.283*** (0.031)
Jeju	0.311	0.789	-0.478*** (0.064)

[NOTE] The number of observations is 16 and 13 for *Before 1987* and *After 1987*, respectively. Standard errors are shown in parentheses. The null hypothesis is that Difference is equal to zero, where Difference is a gap between Mean(*Before 1987*) and Mean(*After 1987*). \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 16]** Correlation between Nonpolitical Civil Societies at year  $t$  and year  $t-1$

	<i>Dictatorship</i>	<i>Democracy</i>	<i>Total sample period</i>
Seoul	0.9817	0.9974	0.9977
Busan	0.9708	0.9974	0.9979
Gyeonggi	0.9721	0.9906	0.9964
Gangwon	0.9786	0.9910	0.9962
N. Chungcheong	0.9745	0.9817	0.9952
S. Chungcheong	0.9894	0.9932	0.9979
N. Jeolla	0.9977	0.9965	0.9990
S. Jeolla	0.9704	0.9952	0.9973
N. Gyeongsang	0.9967	0.9974	0.9990
S. Gyeongsang	0.9921	0.9973	0.9985
Jeju	0.9282	0.9829	0.9932

[NOTE] The numbers are reported by the correlation between  $CSO_{i,t}$  and  $CSO_{i,t-1}$  in each region  $i$  over the time  $t$  under dictatorship, democracy, and total sample period.

**[Table 17]** Fiscal Decentralization Level of Local Governments before and after 1987

	Mean		Difference
	<i>Before 1987</i>	<i>After 1987</i>	
Seoul	0.313	0.465	-0.152*** (0.025)
Busan	0.224	0.450	-0.226*** (0.024)
Gyeonggi	0.344	0.549	-0.206*** (0.028)
Gangwon	0.472	1.079	-0.607*** (0.066)
N. Chungcheong	0.467	0.878	-0.411*** (0.036)
S. Chungcheong	0.351	0.748	-0.397*** (0.033)
N. Jeolla	0.392	0.845	-0.453*** (0.051)
S. Jeolla	0.369	0.815	-0.446*** (0.046)
N. Gyeongsang	0.346	0.707	-0.361*** (0.033)
S. Gyeongsang	0.422	0.718	-0.296*** (0.023)
Jeju	0.446	0.947	-0.501*** (0.071)

[NOTE] The number of observations is 16 and 14 for *Before 1987* and *After 1987*, respectively. Standard errors are shown in parentheses. The null hypothesis is that Difference is equal to zero, where Difference is a gap between Mean(*Before 1987*) and Mean(*After 1987*). \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 18]** Correlation between the Levels of Fiscal Decentralization at year  $t$  and year  $t-1$

	<i>Dictatorship</i>	<i>Democracy</i>	<i>Total sample period</i>
Seoul	0.1225	0.8240	0.8802
Busan	0.4582	0.8199	0.9424
Gyeonggi	0.4654	0.8367	0.9254
Gangwon	0.7880	0.8467	0.9611
N. Chungcheong	0.5799	0.6991	0.9326
S. Chungcheong	0.5211	0.8594	0.9661
N. Jeolla	0.6752	0.8435	0.9567
S. Jeolla	0.7555	0.8978	0.9739
N. Gyeongsang	0.4904	0.8309	0.9612
S. Gyeongsang	0.2253	0.6997	0.9087
Jeju	0.6098	0.9517	0.9711

[NOTE] The numbers are reported by the correlation between  $FDEC_{i,t}$  and  $FDEC_{i,t-1}$  in each region  $i$  over the time  $t$  under dictatorship, democracy, and total sample period.

**[Table 19]** Correlation between Political Civil Society and Socioeconomic Development in Dictatorship and Democracy

<i>Dictatorship</i>	CSO	<i>Democracy</i>	CSO
Teacher-to-Pupil	0.1800	Teacher-to-Pupil	0.3097
Primary school	0.2772	Primary school	0.2159
Schools	0.2563	Schools	0.1881
Hospital	-0.2958	Hospital	0.1095
Sickbed	0.0076	Sickbed	-0.1329
Immunization	-0.3441	Immunization	0.5434
Mortality	0.1214	Mortality	-0.5478
Road	-0.1418	Road	-0.1026
Bridge	-0.5546	Bridge	-0.5351
Water supply	-0.5234	Water supply	-0.4197
GRDP	0.4904	GRDP	-0.3547

[NOTE] The numbers under dictatorship are reported by the correlation between  $\overline{DEV}_{i, Dictatorship}$  and  $\overline{CSO}_{i, Dictatorship}$  for each development variable and each region  $i$ . The numbers under democracy are reported by the correlation between  $\overline{DEV}_{i, Democracy}$  and  $\overline{CSO}_{i, Democracy}$  for each development variable and each region  $i$ .

**[Table 20]** Correlation between Nonpolitical Civil Society and Socioeconomic Development in Dictatorship and Democracy

<i>Dictatorship</i>	CSO	<i>Democracy</i>	CSO
Teacher-to-Pupil	-0.4240	Teacher-to-Pupil	-0.3048
Primary school	0.4513	Primary school	0.4081
Schools	0.4235	Schools	-0.0765
Hospital	-0.6407	Hospital	-0.3475
Sickbed	0.7502	Sickbed	0.7472
Immunization	0.4866	Immunization	0.0138
Mortality	-0.6940	Mortality	-0.5057
Road	-0.6937	Road	-0.5220
Bridge	0.8275	Bridge	0.4720
Water supply	0.6605	Water supply	0.3872
GRDP	-0.4098	GRDP	-0.4647

[NOTE] The numbers under dictatorship are reported by the correlation between  $\overline{DEV}_{i, Dictatorship}$  and  $\overline{CSO}_{i, Dictatorship}$  for each development variable and each region  $i$ . The numbers under democracy are reported by the correlation between  $\overline{DEV}_{i, Democracy}$  and  $\overline{CSO}_{i, Democracy}$  for each development variable and each region  $i$ .

**[Table 21]** The Effect of *Political* Civil Society on the Provision of Public Goods and Services and Economic Growth

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Civil society	1.214*** (0.359)	5.555*** (0.711)	3.121*** (0.517)	-1.797* (0.978)	4.132* (1.873)	-0.984* (0.495)	0.869* (0.445)
Crossterm: Civil society & Democratization	0.663* (0.339)	0.769 (1.357)	1.312 (1.092)	0.705 (0.538)	-2.873** (1.076)	0.730 (0.504)	-0.916*** (0.209)
Local tax	-0.573 (1.243)	-2.953 (4.015)	-0.988 (2.315)	-5.041* (2.765)	-3.820 (2.799)	1.164 (0.700)	0.279 (1.121)
Population	-3.462*** (0.359)	-7.888*** (2.106)	-4.225** (1.734)	2.273** (0.965)	6.525** (2.346)	0.415 (0.793)	0.210 (0.831)
Labor force	-0.049 (0.102)	-0.040 (0.228)	-0.169 (0.139)	0.413** (0.132)	-0.128 (0.291)	0.358 (0.435)	0.607* (0.279)
Fiscal decentralization	0.318*** (0.096)	0.726** (0.261)	0.372** (0.142)	0.603*** (0.183)	0.281 (0.348)	0.180 (0.104)	-0.119 (0.130)
Political opposition	-0.011 (0.026)	-0.033 (0.050)	-0.030 (0.026)	0.105** (0.037)	0.001 (0.033)	0.119*** (0.034)	-0.047 (0.051)
Voting participation	-0.136 (0.089)	-0.262 (0.180)	-0.007 (0.115)	-0.164 (0.105)	0.253 (0.189)	0.421 (0.239)	-0.492 (0.418)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	319	319	231	319	231	308	220
Number of Regions	11	11	11	11	11	11	11
R-squared	0.986	0.976	0.981	0.974	0.955	0.676	0.604
Aggregate effect: Civil society	1.877*** (0.487)	6.324*** (1.578)	4.433*** (1.217)	-1.092 (1.166)	1.259 (1.611)	-0.255 (0.252)	-0.047 (0.454)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.



[Table 21] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Civil society	-0.539 (0.441)	-2.649** (0.959)	-0.466 (2.354)	0.406* (0.217)
Crossterm: Civil society & Democratization	-0.594** (0.260)	1.889** (0.770)	-5.287** (1.885)	-0.602** (0.194)
Local tax	2.120 (1.309)	3.911 (2.391)	4.297 (5.457)	-2.200* (1.069)
Population	0.880 (0.950)	-0.780 (0.975)	7.107*** (2.015)	-0.654 (0.435)
Labor force	0.133 (0.135)	-0.281* (0.144)	0.201 (0.317)	0.123 (0.075)
Fiscal decentralization	0.301** (0.104)	0.111 (0.221)	-0.312 (0.315)	0.031 (0.038)
Political opposition	-0.018 (0.028)	-0.024 (0.041)	-0.046 (0.064)	0.024 (0.023)
Voting participation	-0.124** (0.055)	0.136 (0.092)	-0.001 (0.274)	0.142 (0.134)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	242	242	242	319
Number of Regions	11	11	11	11
R-squared	0.938	0.993	0.978	0.646
Aggregate effect: Civil society	-1.133** (0.384)	-0.759 (0.895)	-5.753** (2.441)	-0.196 (0.241)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 22]** The Effect of *Nonpolitical* Civil Society on the Provision of Public Goods and Services and Economic Growth

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Civil society	0.174** (0.060)	0.713** (0.264)	0.429** (0.169)	0.188 (0.215)	0.194 (0.136)	-0.101** (0.040)	-0.070 (0.049)
Crossterm: Civil society & Democratization	-0.021 (0.022)	-0.113 (0.108)	-0.037 (0.060)	-0.152* (0.084)	-0.132** (0.051)	0.064*** (0.018)	0.010 (0.019)
Local tax	-0.451 (1.227)	-2.405 (3.577)	-0.374 (2.152)	-4.909* (2.625)	-3.533 (3.014)	1.186 (0.711)	0.277 (1.157)
Population	-3.268*** (0.458)	-6.815** (2.690)	-2.976 (2.344)	1.524 (1.070)	6.299** (2.291)	0.509 (0.798)	0.112 (0.973)
Labor force	-0.039 (0.117)	-0.113 (0.229)	-0.051 (0.165)	0.431*** (0.071)	-0.374 (0.303)	0.422 (0.397)	0.532* (0.242)
Fiscal decentralization	0.346** (0.113)	0.728** (0.311)	0.432* (0.195)	0.495** (0.186)	0.084 (0.407)	0.260** (0.104)	-0.146 (0.153)
Political opposition	0.002 (0.022)	0.006 (0.043)	0.001 (0.030)	0.114*** (0.028)	0.032 (0.045)	0.111*** (0.032)	-0.046 (0.047)
Voting participation	-0.161** (0.069)	-0.349** (0.121)	-0.116** (0.048)	-0.097 (0.083)	0.256 (0.200)	0.417 (0.244)	-0.501 (0.420)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	319	319	231	319	231	308	220
Number of Regions	11	11	11	11	11	11	11
R-squared	0.985	0.976	0.981	0.976	0.951	0.676	0.603
Aggregate effect: Civil society	0.153*** (0.047)	0.600*** (0.189)	0.392** (0.141)	0.036 (0.137)	0.063 (0.095)	-0.037 (0.024)	-0.061 (0.037)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 22] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Civil society	0.087 (0.065)	-0.134* (0.065)	-0.199 (0.271)	-0.017 (0.030)
Crossterm: Civil society & Democratization	-0.109*** (0.025)	-0.007 (0.029)	-0.155* (0.075)	0.001 (0.007)
Local tax	2.078 (1.259)	3.663 (2.230)	3.948 (5.534)	-2.232* (1.119)
Population	0.256 (0.741)	-1.612 (1.314)	5.549* (2.637)	-0.567 (0.377)
Labor force	0.040 (0.207)	-0.176 (0.183)	-0.244 (0.318)	0.088 (0.055)
Fiscal decentralization	0.187 (0.109)	0.156 (0.192)	-0.678* (0.349)	0.006 (0.038)
Political opposition	-0.014 (0.024)	-0.030 (0.036)	-0.066 (0.061)	0.020 (0.023)
Voting participation	-0.097 (0.071)	0.135 (0.103)	0.102 (0.205)	0.136 (0.137)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	242	242	242	319
Number of Regions	11	11	11	11
R-squared	0.945	0.993	0.977	0.642
Aggregate effect: Civil society	-0.022 (0.044)	-0.141*** (0.041)	-0.353 (0.224)	-0.016 (0.024)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 23]** The Effect of *Political* Civil Society on the Provision of Public Goods and Services and Economic Growth: Sensitivity Analysis with respect to Additional Control Variables – Subnational Government Expenditures

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Civil society	1.265*** (0.382)	5.068*** (0.644)	1.918*** (0.472)	-0.542 (0.844)	4.935** (1.854)	-0.863 (0.836)	0.770 (0.636)
Crossterm: Civil society & Democratization	0.742** (0.327)	1.231 (1.099)	1.994** (0.874)	0.267 (0.378)	-3.767*** (1.062)	1.010 (0.638)	-1.316*** (0.234)
Local tax	-0.466 (1.117)	-2.002 (3.330)	-0.312 (1.725)	-5.289* (2.779)	-3.372 (2.577)	0.775 (0.693)	0.735 (0.878)
Population	-3.031*** (0.309)	-6.071*** (1.308)	-2.797** (1.211)	1.970* (0.952)	5.662** (2.243)	0.673 (0.722)	0.151 (1.015)
Labor force	-0.044 (0.091)	-0.016 (0.200)	0.015 (0.088)	0.237 (0.146)	-0.269 (0.293)	0.258 (0.418)	0.591* (0.272)
Fiscal decentralization	0.299*** (0.090)	0.721** (0.232)	0.433*** (0.129)	0.596*** (0.168)	0.348 (0.303)	0.188* (0.103)	-0.148 (0.136)
Political opposition	-0.016 (0.023)	-0.054 (0.047)	-0.034 (0.028)	0.111*** (0.032)	0.013 (0.038)	0.122*** (0.037)	-0.053 (0.055)
Voting participation	-0.098 (0.111)	-0.206 (0.226)	-0.079 (0.108)	-0.080 (0.153)	0.150 (0.235)	0.532** (0.231)	-0.575 (0.416)
Expenditure on GA	-0.007 (0.194)	0.872 (0.554)	1.091* (0.560)	-1.051*** (0.249)	0.532 (0.456)	-0.539 (0.443)	0.504* (0.251)
Expenditure on SD	-0.037 (0.127)	0.072 (0.351)	-0.143 (0.240)	0.353* (0.194)	1.240** (0.425)	-0.497 (0.394)	0.482 (0.294)
Expenditure on ED	-0.102 (0.122)	-0.258 (0.351)	-0.050 (0.310)	-0.419* (0.206)	0.543 (0.464)	-0.538* (0.260)	0.685* (0.356)
Expenditure on CD	-2.268** (0.861)	-7.596*** (2.367)	-4.542* (2.404)	-0.535 (1.894)	3.554** (1.526)	-0.743 (2.128)	1.489 (1.316)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	319	319	231	319	231	308	220
Number of Regions	11	11	11	11	11	11	11
R-squared	0.987	0.980	0.985	0.978	0.959	0.679	0.613
Aggregate effect: Civil society	2.007*** (0.457)	6.299*** (1.150)	3.921*** (0.742)	-0.275 (0.980)	1.168 (1.562)	0.147 (0.479)	-0.546 (0.498)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 23] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Civil society	-0.422 (0.730)	-1.960* (1.020)	0.296 (2.874)	0.380 (0.287)
Crossterm: Civil society & Democratization	-0.584 (0.413)	1.350* (0.746)	-5.611** (2.274)	-0.662** (0.238)
Local tax	1.996 (1.419)	3.907 (2.391)	3.719 (5.298)	-1.925* (0.988)
Population	0.647 (0.646)	-1.053 (1.174)	6.325** (2.558)	-0.554 (0.441)
Labor force	0.048 (0.147)	-0.301* (0.136)	0.059 (0.305)	0.123 (0.088)
Fiscal decentralization	0.327*** (0.096)	0.104 (0.207)	-0.328 (0.294)	0.042 (0.042)
Political opposition	-0.014 (0.027)	-0.020 (0.039)	-0.044 (0.064)	0.023 (0.023)
Voting participation	-0.107* (0.055)	0.103 (0.119)	0.056 (0.372)	0.117 (0.135)
Expenditure on GA	-0.051 (0.306)	-0.209 (0.266)	-0.745 (1.106)	0.247 (0.233)
Expenditure on SD	0.034 (0.164)	0.419 (0.306)	-0.072 (0.880)	0.241 (0.182)
Expenditure on ED	-0.113 (0.167)	0.176 (0.229)	-0.160 (0.766)	0.074 (0.108)
Expenditure on CD	1.486 (1.933)	0.176 (1.149)	3.006 (2.886)	-0.414 (0.562)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	242	242	242	319
Number of Regions	11	11	11	11
R-squared	0.939	0.993	0.978	0.652
Aggregate effect: Civil society	-1.007** (0.439)	-0.610 (0.751)	-5.315** (2.242)	-0.282 (0.276)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 24]** The Effect of *Nonpolitical* Civil Society on the Provision of Public Goods and Services and Economic Growth: Sensitivity Analysis with respect to Additional Control Variables – Subnational Government Expenditures

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Civil society	0.192** (0.067)	0.789*** (0.178)	0.511*** (0.119)	0.244 (0.201)	0.108 (0.114)	-0.037 (0.049)	-0.181** (0.071)
Crossterm: Civil society & Democratization	-0.029 (0.025)	-0.170* (0.084)	-0.111 (0.067)	-0.144 (0.085)	-0.107 (0.068)	0.050** (0.022)	0.039 (0.028)
Local tax	-0.340 (1.130)	-1.549 (3.061)	0.223 (1.729)	-5.140* (2.651)	-2.954 (2.695)	0.833 (0.658)	0.723 (0.897)
Population	-2.956*** (0.420)	-5.462*** (1.686)	-2.010 (1.502)	1.708 (1.023)	6.146** (2.296)	0.657 (0.711)	0.036 (1.018)
Labor force	-0.032 (0.102)	-0.079 (0.177)	0.118 (0.072)	0.215* (0.104)	-0.382 (0.269)	0.311 (0.399)	0.525** (0.235)
Fiscal decentralization	0.324** (0.107)	0.704** (0.262)	0.461** (0.161)	0.493** (0.164)	0.148 (0.393)	0.261** (0.090)	-0.178 (0.151)
Political opposition	-0.002 (0.022)	-0.007 (0.051)	0.003 (0.034)	0.120*** (0.025)	0.028 (0.040)	0.122*** (0.034)	-0.063 (0.053)
Voting participation	-0.134 (0.094)	-0.280 (0.176)	-0.156 (0.095)	-0.016 (0.153)	0.148 (0.192)	0.516* (0.236)	-0.591 (0.406)
Expenditure on GA	0.003 (0.199)	0.837 (0.548)	0.993* (0.524)	-1.054*** (0.252)	1.029 (0.618)	-0.676 (0.403)	0.724** (0.252)
Expenditure on SD	0.006 (0.201)	-0.032 (0.541)	-0.055 (0.399)	0.215 (0.239)	0.649 (0.600)	-0.344 (0.382)	0.395 (0.244)
Expenditure on ED	-0.059 (0.175)	-0.288 (0.444)	-0.067 (0.342)	-0.533** (0.232)	0.478 (0.386)	-0.492* (0.253)	0.800** (0.354)
Expenditure on CD	-1.861* (0.894)	-6.773** (2.591)	-4.900* (2.609)	-1.154 (2.622)	1.606 (2.098)	-0.465 (2.039)	1.696 (1.367)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	319	319	231	319	231	308	220
Number of Regions	11	11	11	11	11	11	11
R-squared	0.986	0.980	0.985	0.979	0.953	0.679	0.615
Aggregate effect: Civil society	0.163*** (0.048)	0.618*** (0.132)	0.401*** (0.090)	0.100 (0.125)	0.001 (0.081)	0.014 (0.032)	-0.142** (0.051)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 24] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Civil society	0.129* (0.063)	-0.211** (0.076)	-0.066 (0.293)	-0.023 (0.036)
Crossterm: Civil society & Democratization	-0.128*** (0.025)	0.033 (0.037)	-0.216 (0.121)	-0.002 (0.012)
Local tax	2.002 (1.271)	3.926 (2.294)	3.381 (5.271)	-1.979* (1.020)
Population	0.438 (0.689)	-1.828 (1.300)	5.948* (3.026)	-0.443 (0.374)
Labor force	0.018 (0.209)	-0.177 (0.139)	-0.227 (0.238)	0.091 (0.073)
Fiscal decentralization	0.212* (0.106)	0.136 (0.172)	-0.695* (0.366)	0.015 (0.043)
Political opposition	-0.008 (0.024)	-0.034 (0.037)	-0.058 (0.054)	0.019 (0.024)
Voting participation	-0.052 (0.077)	0.028 (0.136)	0.279 (0.268)	0.117 (0.137)
Expenditure on GA	-0.005 (0.250)	0.058 (0.328)	-0.588 (0.973)	0.275 (0.250)
Expenditure on SD	-0.182 (0.137)	0.694* (0.358)	-1.072 (0.972)	0.171 (0.151)
Expenditure on ED	-0.264** (0.103)	0.505* (0.270)	-0.774 (0.881)	0.045 (0.109)
Expenditure on CD	-0.535 (0.961)	0.488 (1.308)	-1.923 (5.628)	-0.538 (0.638)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	242	242	242	319
Number of Regions	11	11	11	11
R-squared	0.947	0.994	0.977	0.648
Aggregate effect: Civil society	0.001 (0.043)	-0.177*** (0.044)	-0.282 (0.213)	-0.024 (0.027)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. Therefore, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 25]** The Effect of *Political* Civil Society on the Provision of Public Goods and Services and Economic Growth: Sensitivity Analysis with respect to PCSEs Method

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Civil society	0.924*** (0.251)	2.557*** (0.506)	2.018*** (0.447)	-1.962*** (0.680)	2.049* (1.085)	-1.186 (0.891)	1.034 (0.667)
Crossterm: Civil society & Democratization	0.678*** (0.204)	1.470*** (0.436)	1.250*** (0.388)	0.996* (0.533)	-1.682* (0.879)	0.788 (0.728)	-0.790 (0.543)
Local tax	-0.254 (0.217)	-0.382 (0.386)	-0.190 (0.307)	-2.004*** (0.606)	0.215 (0.876)	1.032 (1.536)	-0.124 (1.141)
Population	-1.813*** (0.297)	-2.795*** (0.657)	-1.971*** (0.563)	1.851*** (0.663)	3.888*** (0.918)	0.364 (0.891)	0.352 (0.729)
Labor force	-0.042 (0.042)	-0.061 (0.077)	-0.065 (0.080)	0.173 (0.117)	0.041 (0.155)	0.366 (0.275)	0.393* (0.207)
Fiscal decentralization	0.102*** (0.030)	0.134** (0.054)	0.109** (0.046)	0.356*** (0.076)	0.087 (0.104)	0.181 (0.124)	-0.057 (0.097)
Political opposition	-0.015* (0.009)	-0.015 (0.016)	-0.008 (0.015)	0.050** (0.025)	-0.021 (0.030)	0.088 (0.082)	-0.044 (0.056)
Voting participation	-0.028 (0.036)	-0.018 (0.065)	0.013 (0.068)	-0.164 (0.116)	0.109 (0.141)	0.394 (0.360)	-0.427* (0.240)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	319	319	231	319	231	308	220
Number of Regions	11	11	11	11	11	11	11
R-squared	0.996	0.995	0.997	0.993	0.990	0.702	0.665
Wald chi <sup>2</sup>	[46] 8989.31	[46] 4018.67	[38] 6678.56	[46] 5661.42	[38] 2146.69	[45] 727.50	[37] 475.17
rho	0.661	0.776	0.665	0.551	0.662	-0.281	-0.376
Aggregate effect: Civil society	1.602*** (0.212)	4.027*** (0.443)	3.268*** (0.337)	-0.967* (0.572)	0.367 (0.768)	-0.398 (0.637)	0.244 (0.383)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. So, PCSEs method shall take into account both heteroskedasticity and serial correlation by correcting the standard errors, and thereby the adjusted standard errors are shown in parentheses. The degrees of freedom are in square brackets. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.



[Table 25] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Civil society	-0.622* (0.363)	-1.329** (0.660)	-2.030 (1.959)	0.381 (0.395)
Crossterm: Civil society & Democratization	-0.190 (0.282)	1.053** (0.530)	-3.372** (1.698)	-0.574* (0.316)
Local tax	0.706* (0.367)	0.597 (0.500)	1.003 (1.460)	-2.183*** (0.626)
Population	0.768 (0.485)	-1.011* (0.575)	5.116*** (1.452)	-0.628* (0.340)
Labor force	-0.004 (0.085)	-0.013 (0.103)	-0.005 (0.250)	0.115 (0.103)
Fiscal decentralization	0.088** (0.045)	0.020 (0.063)	-0.357** (0.172)	0.026 (0.050)
Political opposition	0.004 (0.016)	0.009 (0.020)	-0.064 (0.056)	0.021 (0.029)
Voting participation	-0.039 (0.062)	0.069 (0.090)	0.122 (0.242)	0.108 (0.149)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	242	242	242	319
Number of Regions	11	11	11	11
R-squared	0.838	0.996	0.963	0.679
Wald chi <sup>2</sup>	[39] 2427.61	[39] 13544.09	[39] 4725.91	[46] 674.48
rho	0.611	0.635	0.574	-0.163
Aggregate effect: Civil society	-0.811** (0.326)	-0.275 (0.481)	-5.401*** (1.125)	-0.193 (0.282)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. So, PCSEs method shall take into account both heteroskedasticity and serial correlation by correcting the standard errors, and thereby the adjusted standard errors are shown in parentheses. The degrees of freedom are in square brackets. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 26]** The Effect of *Nonpolitical* Civil Society on the Provision of Public Goods and Services and Economic Growth: Sensitivity Analysis with respect to PCSEs Method

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Civil society	0.150*** (0.030)	0.524*** (0.061)	0.373*** (0.044)	0.107 (0.096)	0.030 (0.105)	-0.120 (0.109)	-0.071 (0.061)
Crossterm: Civil society & Democratization	0.005 (0.013)	-0.007 (0.024)	-0.006 (0.017)	-0.130*** (0.045)	-0.095** (0.044)	0.072 (0.053)	0.016 (0.030)
Local tax	-0.189 (0.211)	-0.302 (0.366)	-0.054 (0.271)	-1.870*** (0.581)	0.369 (0.874)	1.056 (1.548)	-0.063 (1.143)
Population	-1.544*** (0.299)	-2.417*** (0.661)	-1.265** (0.552)	1.395** (0.676)	3.552*** (0.890)	0.430 (0.908)	0.335 (0.763)
Labor force	-0.009 (0.041)	0.018 (0.076)	0.028 (0.074)	0.148 (0.115)	0.059 (0.146)	0.460* (0.269)	0.305 (0.213)
Fiscal decentralization	0.115*** (0.031)	0.166*** (0.054)	0.132*** (0.045)	0.292*** (0.075)	0.008 (0.106)	0.272** (0.130)	-0.074 (0.100)
Political opposition	-0.013 (0.009)	-0.007 (0.016)	-0.001 (0.015)	0.049** (0.025)	-0.018 (0.030)	0.075 (0.082)	-0.041 (0.057)
Voting participation	-0.051 (0.034)	-0.082 (0.056)	-0.057 (0.055)	-0.136 (0.110)	0.097 (0.130)	0.396 (0.360)	-0.478* (0.245)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	319	319	231	319	231	308	220
Number of Regions	11	11	11	11	11	11	11
R-squared	0.996	0.995	0.998	0.994	0.990	0.703	0.660
Wald chi <sup>2</sup>	[47] 9546.17	[46] 6443.96	[38] 10286.7	[46] 5946.47	[38] 2102.63	[45] 725.27	[37] 451.60
rho	0.670	0.760	0.682	0.555	0.674	-0.283	-0.361
Aggregate effect: Civil society	0.154*** (0.022)	0.518*** (0.048)	0.367*** (0.034)	-0.023 (0.063)	-0.065 (0.076)	-0.048 (0.067)	-0.055 (0.037)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. So, PCSEs method shall take into account both heteroskedasticity and serial correlation by correcting the standard errors, and thereby the adjusted standard errors are shown in parentheses. The degrees of freedom are in square brackets. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 26] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Civil society	0.020 (0.047)	-0.125* (0.070)	-0.309** (0.140)	-0.017 (0.054)
Crossterm: Civil society & Democratization	-0.071*** (0.021)	-0.006 (0.032)	-0.117** (0.055)	0.001 (0.025)
Local tax	0.672** (0.335)	0.691 (0.531)	0.720 (1.443)	-2.216*** (0.645)
Population	0.516 (0.471)	-1.195** (0.549)	3.802*** (1.450)	-0.530 (0.348)
Labor force	-0.032 (0.074)	-0.010 (0.100)	-0.180 (0.241)	0.076 (0.102)
Fiscal decentralization	0.030 (0.044)	0.016 (0.064)	-0.500*** (0.179)	0.002 (0.052)
Political opposition	0.004 (0.015)	0.005 (0.020)	-0.071 (0.057)	0.017 (0.029)
Voting participation	-0.023 (0.050)	0.079 (0.086)	0.213 (0.228)	0.101 (0.150)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	242	242	242	319
Number of Regions	11	11	11	11
R-squared	0.831	0.996	0.963	0.673
Wald chi <sup>2</sup>	[39] 2299.74	[39] 13149.69	[39] 5422.15	[46] 659.18
rho	0.648	0.634	0.585	-0.153
Aggregate effect: Civil society	-0.051 (0.034)	-0.131*** (0.049)	-0.426*** (0.101)	-0.016 (0.033)

**NOTE:** To investigate a structural change in the causal relationships, the sample period (1972-2000) of within-variation analysis is considered as the two-partitioned periods: Pre-democratization period (1972-1987) & Post-democratization period (1988-2000). Accordingly, *Civil society* and *Crossterm* illustrates the effect of civil society on socioeconomic development before and after democratic revolution, respectively. The measure of civil society has a one-year lagged value, then. I also use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. So, PCSEs method shall take into account both heteroskedasticity and serial correlation by correcting the standard errors, and thereby the adjusted standard errors are shown in parentheses. The degrees of freedom are in square brackets. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 27] The Effect of Fiscal Decentralization on the Provision of Public Goods and Services and Economic Growth

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Fiscal decentralization	0.450*** (0.094)	1.062** (0.362)	0.473 (0.271)	0.176 (0.136)	-0.709** (0.231)	-0.010 (0.014)	0.012* (0.006)
Crossterm: Fiscal decentralization & Democratization	-0.158** (0.057)	-0.470 (0.296)	-0.146 (0.205)	0.276* (0.144)	0.662* (0.305)	0.001 (0.005)	-0.019*** (0.005)
Local tax	-0.730 (1.525)	-3.247 (5.490)	0.112 (3.266)	-5.256* (2.870)	-4.705 (3.318)	0.296 (0.200)	0.067 (0.052)
Population	-3.908*** (0.452)	-8.658*** (2.165)	-4.557*** (1.302)	2.123 (1.196)	6.375* (2.922)	-0.031 (0.137)	-0.086 (0.056)
Labor force	0.047 (0.102)	0.150 (0.372)	0.106 (0.155)	0.491*** (0.086)	-0.536** (0.180)	-0.002 (0.023)	0.014* (0.007)
Political opposition	0.015 (0.012)	0.012 (0.044)	-0.004 (0.029)	0.083* (0.044)	-0.004 (0.065)	-0.004 (0.002)	-0.001 (0.001)
Voting participation	-0.154 (0.101)	-0.442 (0.267)	-0.298 (0.214)	-0.247** (0.095)	0.085 (0.216)	0.010 (0.014)	-0.003 (0.005)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	330	330	242	330	242	330	242
Number of Regions	11	11	11	11	11	11	11
R-squared	0.982	0.961	0.966	0.974	0.950	0.643	0.941
Aggregate effect: Fiscal decentralization	0.292** (0.110)	0.592 (0.395)	0.326 (0.261)	0.452** (0.164)	-0.047 (0.326)	-0.009 (0.012)	-0.007 (0.005)

**NOTE:** The sample period (1972-2001) of within-variation analysis is partitioned into Pre-democratization period (1972-1987) and Post-democratization period (1988-2001) in order to investigate a quantitative shift in the coefficients of fiscal decentralization over the two periods – that is, a change in the efficiency of fiscal decentralization. In this context, *Fiscal decentralization* and *Crossterm* illustrates the effect of fiscal decentralization on socioeconomic development before and after democratic revolution, respectively. Besides, I use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect as well. A measure of fiscal decentralization is obtained from the general (budgetary) account of settled budget in *Ministry of Finance and Economy, Financial Yearbook of Local Government*. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. For that reason, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 27] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Fiscal decentralization	0.053 (0.114)	-0.098 (0.182)	0.302*** (0.076)	0.104 (0.084)
Crossterm: Fiscal decentralization & Democratization	0.026 (0.069)	0.344** (0.145)	-0.209** (0.067)	-0.096 (0.073)
Local tax	2.452* (1.354)	3.722 (2.396)	2.349 (1.748)	-2.000** (0.883)
Population	1.246 (1.248)	-2.222 (1.426)	-0.074 (0.593)	-0.504 (0.325)
Labor force	0.134 (0.179)	-0.312* (0.163)	-0.015 (0.106)	0.122* (0.613)
Political opposition	-0.004 (0.023)	0.005 (0.035)	-0.035* (0.019)	0.025 (0.018)
Voting participation	-0.037 (0.066)	0.216*** (0.050)	-0.017 (0.103)	0.149 (0.117)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	253	253	253	330
Number of Regions	11	11	11	11
R-squared	0.928	0.993	0.938	0.643
Aggregate effect: Fiscal decentralization	0.079 (0.101)	0.246 (0.161)	0.092 (0.067)	0.008 (0.022)

**NOTE:** The sample period (1972-2001) of within-variation analysis is partitioned into Pre-democratization period (1972-1987) and Post-democratization period (1988-2001) in order to investigate a quantitative shift in the coefficients of fiscal decentralization over the two periods – that is, a change in the efficiency of fiscal decentralization. In this context, *Fiscal decentralization* and *Crossterm* illustrates the effect of fiscal decentralization on socioeconomic development before and after democratic revolution, respectively. Besides, I use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect as well. A measure of fiscal decentralization is obtained from the general (budgetary) account of settled budget in *Ministry of Finance and Economy, Financial Yearbook of Local Government*. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. For that reason, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 28]** The Effect of Fiscal Decentralization on the Provision of Public Goods and Services and Economic Growth: Sensitivity Analysis with respect to Additional Control Variables – Subnational Government Expenditures

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Fiscal decentralization	0.448*** (0.082)	1.060*** (0.285)	0.475** (0.195)	0.184 (0.149)	-0.573* (0.268)	-0.006 (0.014)	0.010* (0.006)
Crossterm: Fiscal decentralization & Democratization	-0.142** (0.047)	-0.373* (0.194)	-0.087 (0.109)	0.276** (0.098)	0.596* (0.288)	-0.002 (0.006)	-0.018*** (0.005)
Local tax	-0.346 (1.246)	-1.514 (4.130)	1.069 (2.478)	-5.606* (2.948)	-4.562 (3.240)	0.313 (0.204)	0.072 (0.053)
Population	-3.638*** (0.454)	-7.372*** (1.594)	-3.382** (1.279)	1.959 (1.130)	6.200* (2.894)	-0.039 (0.134)	-0.076 (0.056)
Labor force	0.073 (0.095)	0.279 (0.317)	0.340*** (0.084)	0.271** (0.119)	-0.580*** (0.169)	0.002 (0.022)	0.015** (0.007)
Political opposition	0.013 (0.012)	0.003 (0.047)	-0.009 (0.033)	0.084* (0.040)	-0.001 (0.070)	-0.003 (0.002)	-0.001 (0.001)
Voting participation	-0.175* (0.090)	-0.516** (0.207)	-0.360** (0.136)	-0.244 (0.190)	0.050 (0.224)	0.007 (0.012)	-0.003 (0.005)
Expenditure on GA	0.473* (0.215)	2.331*** (0.724)	2.122** (0.746)	-1.042*** (0.313)	0.576 (0.500)	0.028 (0.024)	0.007 (0.013)
Expenditure on SD	0.216 (0.153)	0.732 (0.463)	0.415 (0.380)	0.219 (0.245)	0.353 (0.474)	0.020** (0.007)	0.003 (0.008)
Expenditure on ED	0.118 (0.121)	0.443 (0.425)	0.729 (0.418)	-0.554** (0.237)	0.136 (0.428)	0.022* (0.011)	0.004 (0.004)
Expenditure on CD	-0.961 (0.682)	-4.145* (2.067)	-3.411 (2.062)	-0.886 (1.946)	1.798 (1.739)	0.086 (0.078)	-0.045 (0.025)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	330	330	242	330	242	330	242
Number of Regions	11	11	11	11	11	11	11
R-squared	0.983	0.968	0.975	0.978	0.951	0.647	0.942
Aggregate effect: Fiscal decentralization	0.306*** (0.095)	0.688* (0.333)	0.388 (0.219)	0.460** (0.153)	0.023 (0.317)	-0.008 (0.013)	-0.008 (0.004)

**NOTE:** The sample period (1972-2001) of within-variation analysis is partitioned into Pre-democratization period (1972-1987) and Post-democratization period (1988-2001) in order to investigate a quantitative shift in the coefficients of fiscal decentralization over the two periods – that is, a change in the efficiency of fiscal decentralization. In this context, *Fiscal decentralization* and *Crossterm* illustrates the effect of fiscal decentralization on socioeconomic development before and after democratic revolution, respectively. Besides, I use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect as well. A measure of fiscal decentralization and the level of local government expenditures by function are all obtained from the general (budgetary) account of settled budget in *Ministry of Finance and Economy, Financial Yearbook of Local Government*. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. For that reason, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

[Table 28] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Fiscal decentralization	0.111 (0.146)	-0.042 (0.147)	0.268** (0.104)	0.125 (0.082)
Crossterm: Fiscal decentralization & Democratization	0.013 (0.094)	0.284* (0.136)	-0.163* (0.087)	-0.100 (0.074)
Local tax	2.196 (1.434)	3.645 (2.283)	2.280 (1.710)	-1.784* (0.832)
Population	0.962 (0.870)	-2.170 (1.412)	0.054 (0.542)	-0.411 (0.328)
Labor force	0.039 (0.196)	-0.379** (0.159)	-0.027 (0.087)	0.112 (0.072)
Political opposition	0.002 (0.024)	0.011 (0.034)	-0.032 (0.019)	0.025 (0.018)
Voting participation	-0.015 (0.064)	0.164* (0.089)	0.001 (0.097)	0.129 (0.117)
Expenditure on GA	-0.239 (0.314)	-0.385 (0.364)	-0.156 (0.174)	0.224 (0.227)
Expenditure on SD	-0.079 (0.202)	0.415 (0.301)	-0.102 (0.181)	0.199 (0.146)
Expenditure on ED	-0.279* (0.146)	-0.051 (0.215)	-0.204 (0.119)	0.038 (0.099)
Expenditure on CD	1.357 (2.330)	-0.325 (1.335)	-1.115 (1.070)	-0.245 (0.661)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	253	253	253	330
Number of Regions	11	11	11	11
R-squared	0.931	0.994	0.939	0.648
Aggregate effect: Fiscal decentralization	0.124 (0.072)	0.243 (0.159)	0.105 (0.077)	0.025 (0.031)

**NOTE:** The sample period (1972-2001) of within-variation analysis is partitioned into Pre-democratization period (1972-1987) and Post-democratization period (1988-2001) in order to investigate a quantitative shift in the coefficients of fiscal decentralization over the two periods – that is, a change in the efficiency of fiscal decentralization. In this context, *Fiscal decentralization* and *Crossterm* illustrates the effect of fiscal decentralization on socioeconomic development before and after democratic revolution, respectively. Besides, I use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect as well. A measure of fiscal decentralization and the level of local government expenditures by function are all obtained from the general (budgetary) account of settled budget in *Ministry of Finance and Economy, Financial Yearbook of Local Government*. Some years are dropped due to the data availability of several dependent variables. All parameters in linear panel-data models are estimated under the assumption that the disturbances are heteroskedastic and serially correlated when computing the standard errors and the variance-covariance estimates. For that reason, the robust standard errors, adjusted to heteroskedasticity allowing clusters by region, are shown in parentheses. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

**[Table 29]** The Effect of Fiscal Decentralization on the Provision of Public Goods and Services and Economic Growth: Sensitivity Analysis with respect to PCSEs Method

	Education Services			Health Services			
	<i>Teacher-to-Pupil</i>	<i>Primary school</i>	<i>Schools</i>	<i>Hospital</i>	<i>Sickbed</i>	<i>Immunization</i>	<i>Mortality</i>
Fiscal decentralization	0.195*** (0.041)	0.129** (0.060)	0.037 (0.056)	-0.044 (0.090)	-0.341** (0.142)	0.003 (0.010)	0.005 (0.004)
Crossterm: Fiscal decentralization & Democratization	-0.106** (0.042)	-0.088 (0.069)	-0.001 (0.059)	0.400*** (0.090)	0.392*** (0.127)	-0.005 (0.009)	-0.011*** (0.003)
Local tax	-0.006 (0.221)	0.083 (0.315)	0.206 (0.219)	-1.990*** (0.587)	-0.680 (0.959)	0.123* (0.064)	0.035* (0.020)
Population	-1.970*** (0.330)	-1.992*** (0.642)	-1.109** (0.548)	1.268* (0.674)	3.877*** (0.989)	-0.076 (0.059)	-0.106*** (0.022)
Labor force	-0.009 (0.045)	0.025 (0.069)	0.062 (0.068)	0.139 (0.112)	0.008 (0.168)	-0.001 (0.010)	0.010** (0.004)
Political opposition	-0.008 (0.008)	-0.008 (0.013)	-0.005 (0.010)	0.046** (0.021)	-0.024 (0.032)	0.001 (0.002)	-0.001 (0.001)
Voting participation	-0.050 (0.041)	-0.043 (0.063)	-0.043 (0.062)	-0.217** (0.106)	-0.020 (0.143)	0.011 (0.010)	-0.003 (0.004)
Region-fixed effects		Yes				Yes	
Year-fixed effects		Yes				Yes	
Observations	330	330	242	330	242	330	242
Number of Regions	11	11	11	11	11	11	11
R-squared	0.995	0.994	0.997	0.994	0.987	0.543	0.920
Wald chi <sup>2</sup>	[46] 7762.67	[46] 1900.20	[38] 2444.13	[46] 5618.68	[38] 2191.93	[46] 500.78	[38] 2109.44
rho	0.669	0.851	0.809	0.585	0.626	0.469	0.476
Aggregate effect: Fiscal decentralization	0.089*** (0.029)	0.041 (0.048)	0.036 (0.037)	0.356*** (0.059)	0.052 (0.096)	-0.002 (0.006)	-0.006*** (0.002)

**NOTE:** The sample period (1972-2001) of within-variation analysis is partitioned into Pre-democratization period (1972-1987) and Post-democratization period (1988-2001) in order to investigate a quantitative shift in the coefficients of fiscal decentralization over the two periods – that is, a change in the efficiency of fiscal decentralization. In this context, *Fiscal decentralization* and *Crossterm* illustrates the effect of fiscal decentralization on socioeconomic development before and after democratic revolution, respectively. Besides, I use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect as well. A measure of fiscal decentralization is obtained from the general (budgetary) account of settled budget in *Ministry of Finance and Economy, Financial Yearbook of Local Government*. Some years are dropped due to the data availability of several dependent variables. PCSEs method takes into account both heteroskedasticity and serial correlation by correcting the standard errors. Accordingly, the adjusted standard errors are shown in parentheses. The degrees of freedom are in square brackets. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.



[Table 29] (continued)

	Social Overhead Capital			Economic Growth
	<i>Road</i>	<i>Bridge</i>	<i>Water supply</i>	<i>GRDP</i>
Fiscal decentralization	-0.088 (0.062)	0.012 (0.079)	0.128* (0.067)	0.102 (0.070)
Crossterm: Fiscal decentralization & Democratization	0.105 (0.064)	0.117 (0.075)	-0.077 (0.059)	-0.097 (0.060)
Local tax	0.711** (0.316)	0.641 (0.487)	0.823* (0.426)	-1.960*** (0.595)
Population	0.506 (0.484)	-1.318** (0.580)	-0.275 (0.448)	-0.464 (0.350)
Labor force	-0.029 (0.075)	-0.031 (0.096)	-0.062 (0.086)	0.110 (0.100)
Political opposition	0.008 (0.012)	0.002 (0.018)	-0.021 (0.018)	0.023 (0.025)
Voting participation	0.009 (0.053)	0.069 (0.081)	0.060 (0.075)	0.133 (0.137)
Region-fixed effects		Yes		Yes
Year-fixed effects		Yes		Yes
Observations	253	253	253	330
Number of Regions	11	11	11	11
R-squared	0.778	0.996	0.854	0.675
Wald chi <sup>2</sup>	[39] 1907.32	[39] 13325.88	[39] 1885.14	[46] 683.73
rho	0.705	0.642	0.496	-0.158
Aggregate effect: Fiscal decentralization	0.017 (0.035)	0.129** (0.054)	0.050 (0.046)	0.004 (0.033)

**NOTE:** The sample period (1972-2001) of within-variation analysis is partitioned into Pre-democratization period (1972-1987) and Post-democratization period (1988-2001) in order to investigate a quantitative shift in the coefficients of fiscal decentralization over the two periods – that is, a change in the efficiency of fiscal decentralization. In this context, *Fiscal decentralization* and *Crossterm* illustrates the effect of fiscal decentralization on socioeconomic development before and after democratic revolution, respectively. Besides, I use a STATA estimation command (*lincom*) to compute linear combinations of those two coefficients and report their aggregate effect as well. A measure of fiscal decentralization is obtained from the general (budgetary) account of settled budget in *Ministry of Finance and Economy, Financial Yearbook of Local Government*. Some years are dropped due to the data availability of several dependent variables. PCSEs method takes into account both heteroskedasticity and serial correlation by correcting the standard errors. Accordingly, the adjusted standard errors are shown in parentheses. The degrees of freedom are in square brackets. \* indicates significance at the 10 percent level; \*\* indicates significance at the 5 percent level; \*\*\* indicates significance at the 1 percent level.

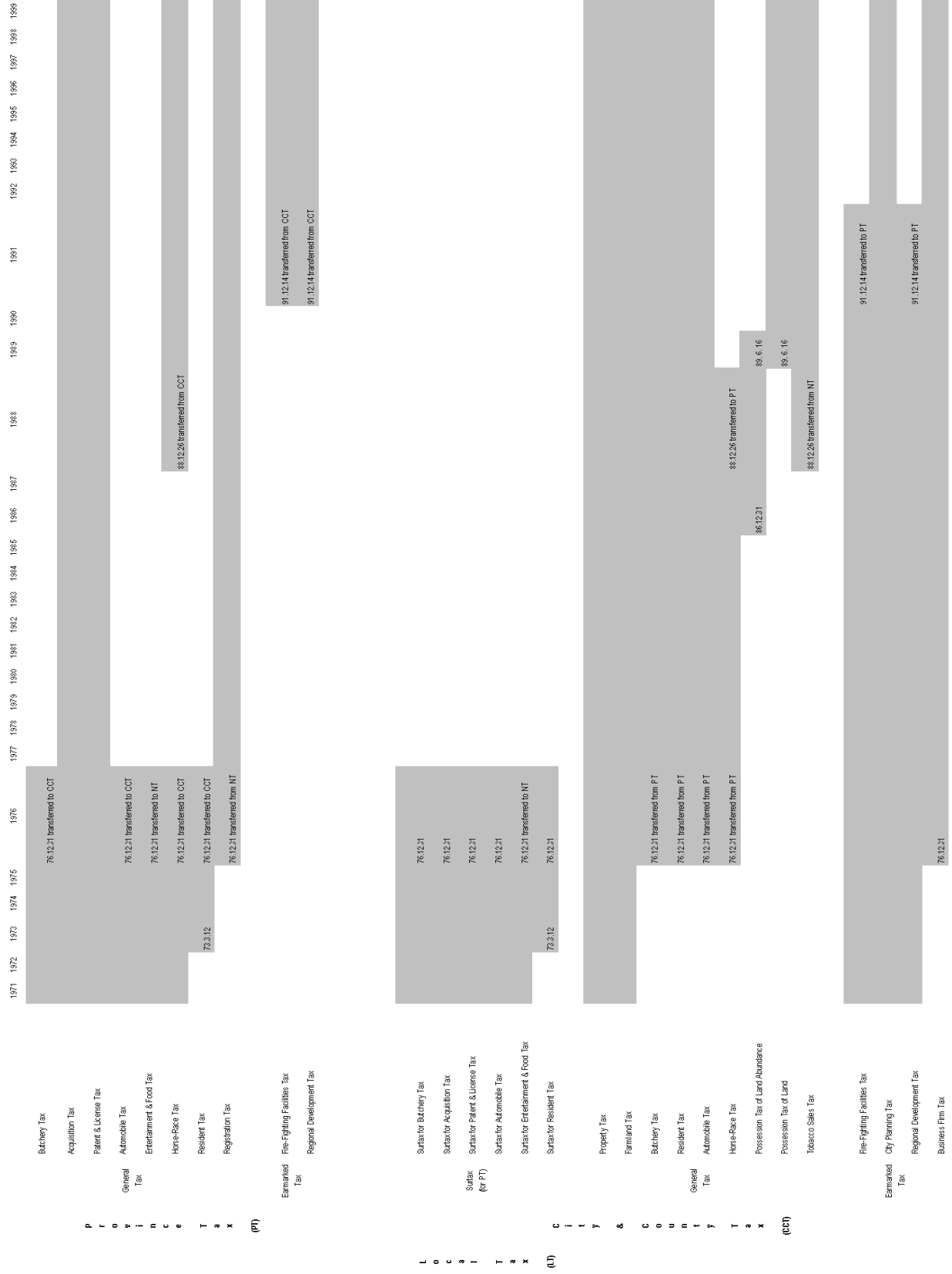
**[Table 30]** Different Participation Concentration in the Number of Cases of Political Assembly and Demonstration (1988-2007): *By the purpose of activity*

<b>Activity purpose</b>	<i>Indemnity</i>	<i>Economic Policy Change</i>	<i>Political Responsibility</i>	<i>Economic Demands</i>	<i>Political Policy Change</i>
<b>Political groups</b>	476	196	359	206	376
<b>Nonpolitical groups</b>	39	70	367	36	342

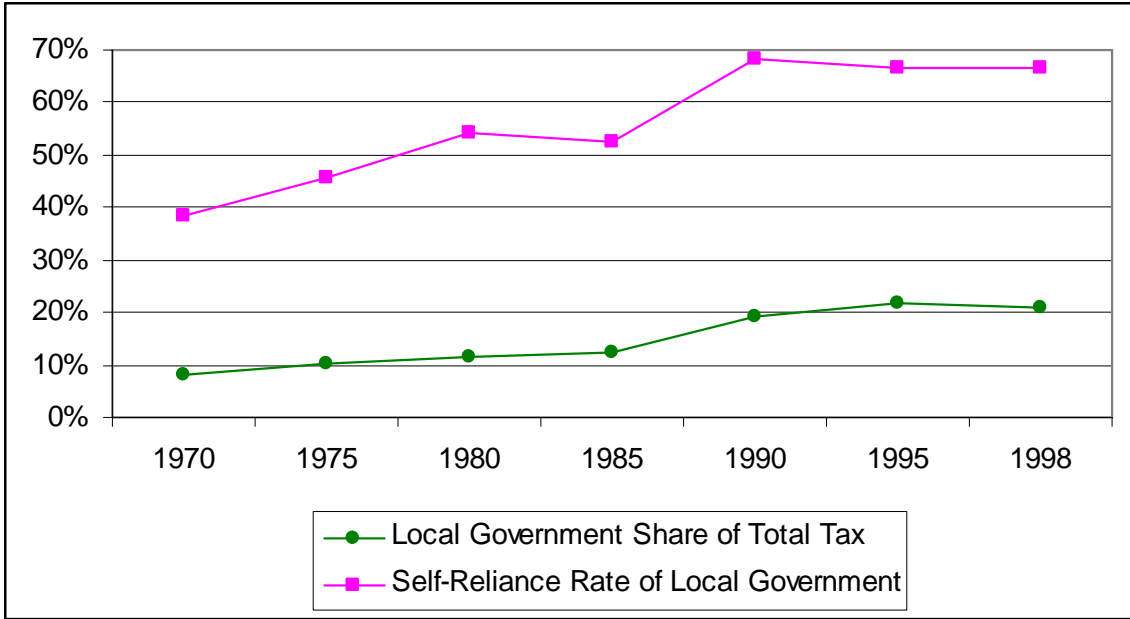
  

<b>Activity purpose</b>	<i>Indemnity</i>	<i>Economic Policy Change</i>	<i>Political Responsibility</i>	<i>Economic Demands</i>	<i>Political Policy Change</i>
<b>Political groups</b>	92.43%	73.68%	49.45%	85.12%	52.37%
<b>Nonpolitical groups</b>	7.57%	26.32%	50.55%	14.88%	47.63%

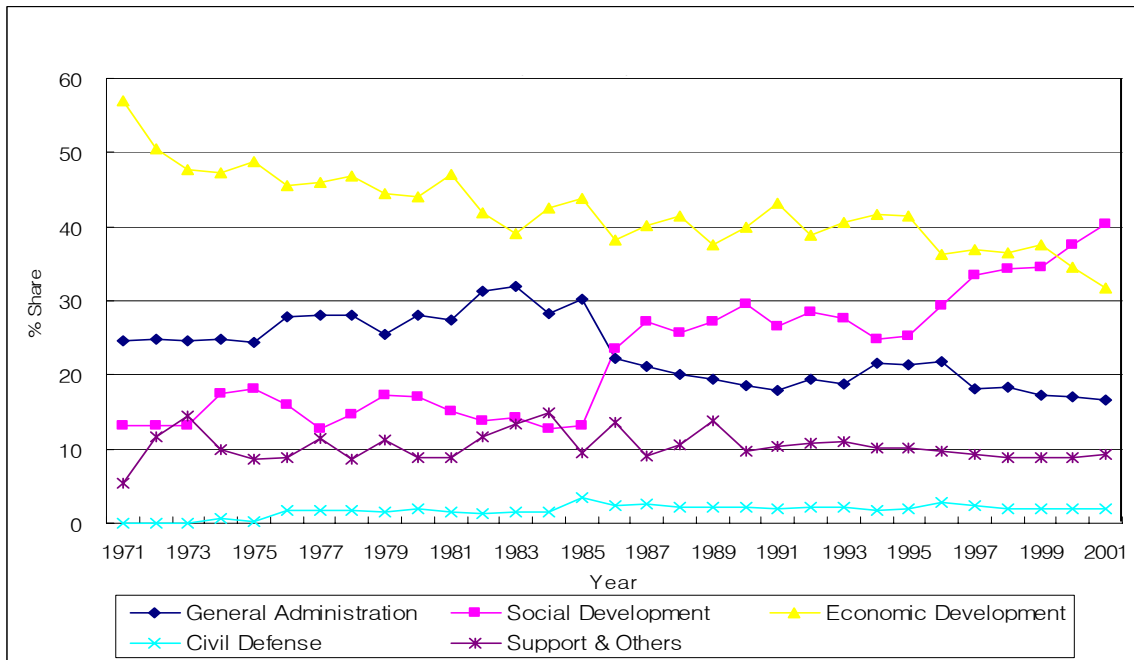
**[Source]** East Asia Institute and Center for European Studies in Harvard University (2008). *Assembly, Demonstration and Democracy in Korea after Democratization*, The Logic of Civil Society: Contentious Politics in New Democracies.



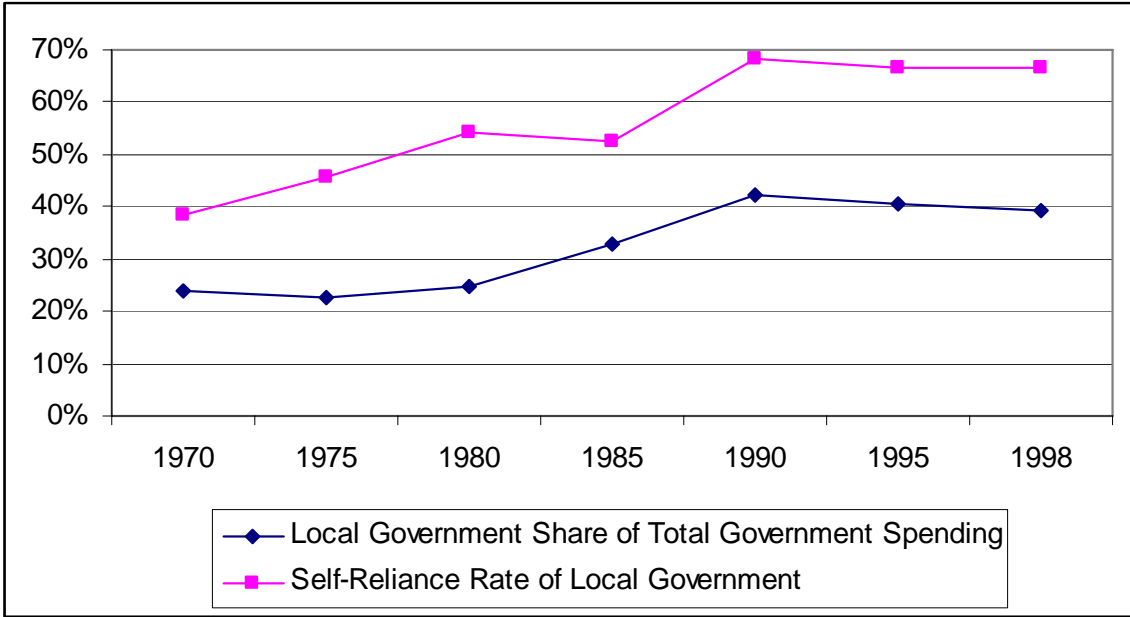
[Figure 1] Local Tax System Change



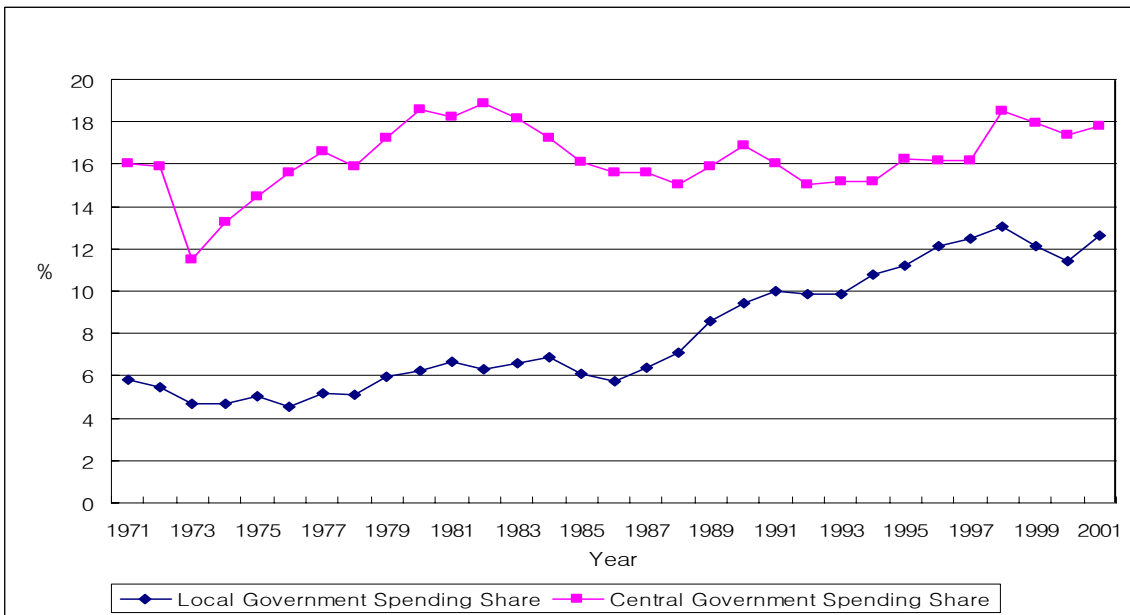
[Figure 2] Local Tax Share and Self-Reliance



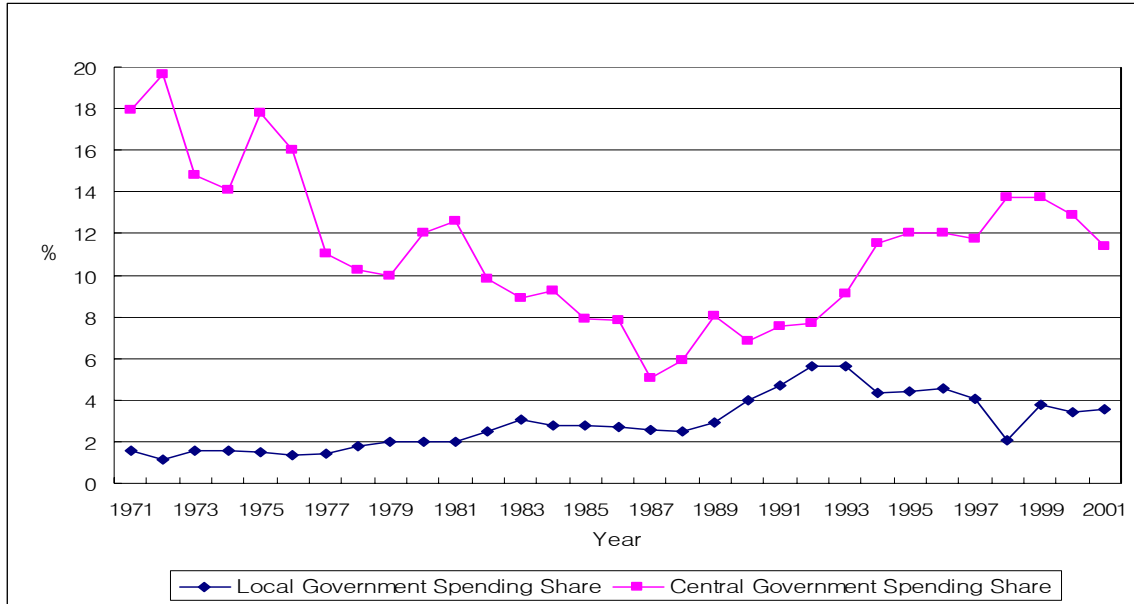
[Figure 3] Expenditure Allocation of Local Government



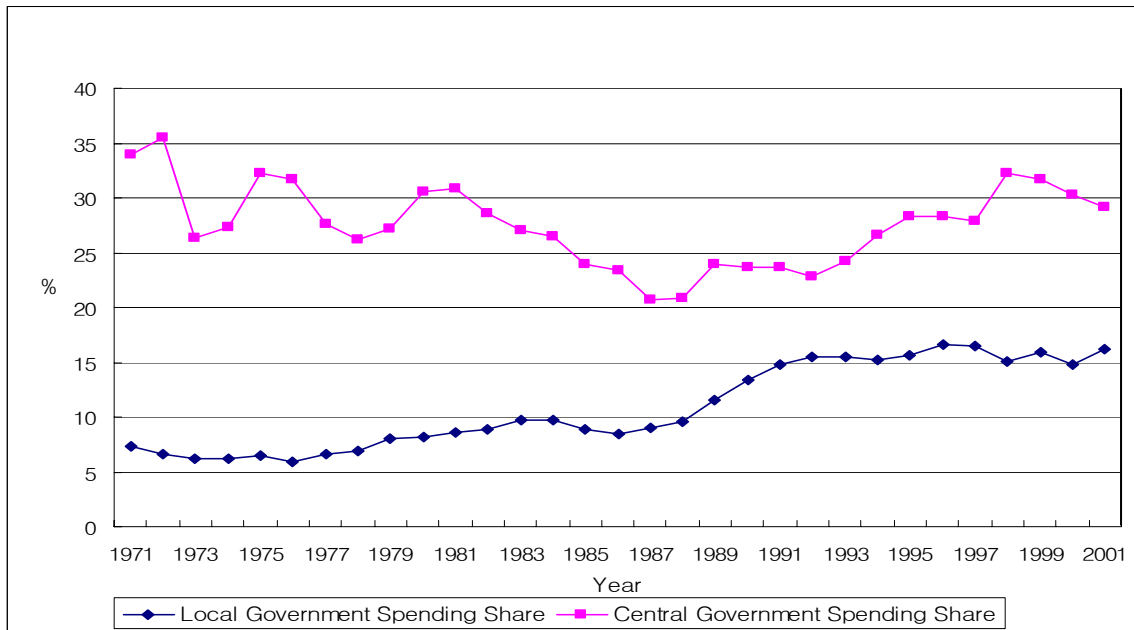
[Figure 4] Local Spending Share and Self-Reliance



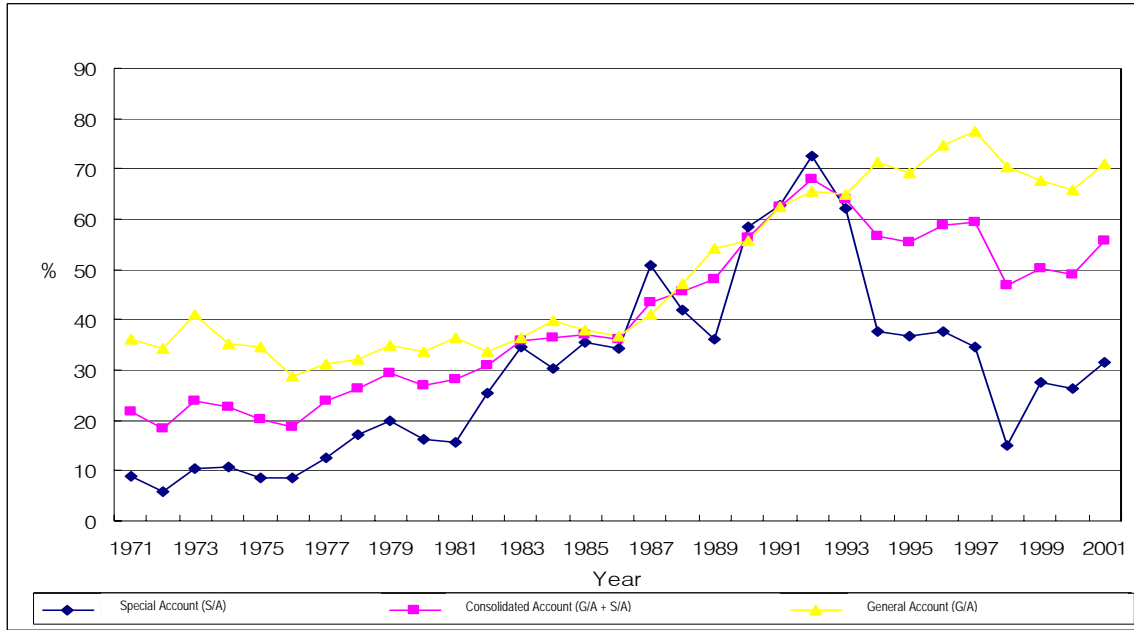
[Figure 5] Ratio of Government Spending to GDP: General Account (G/A)



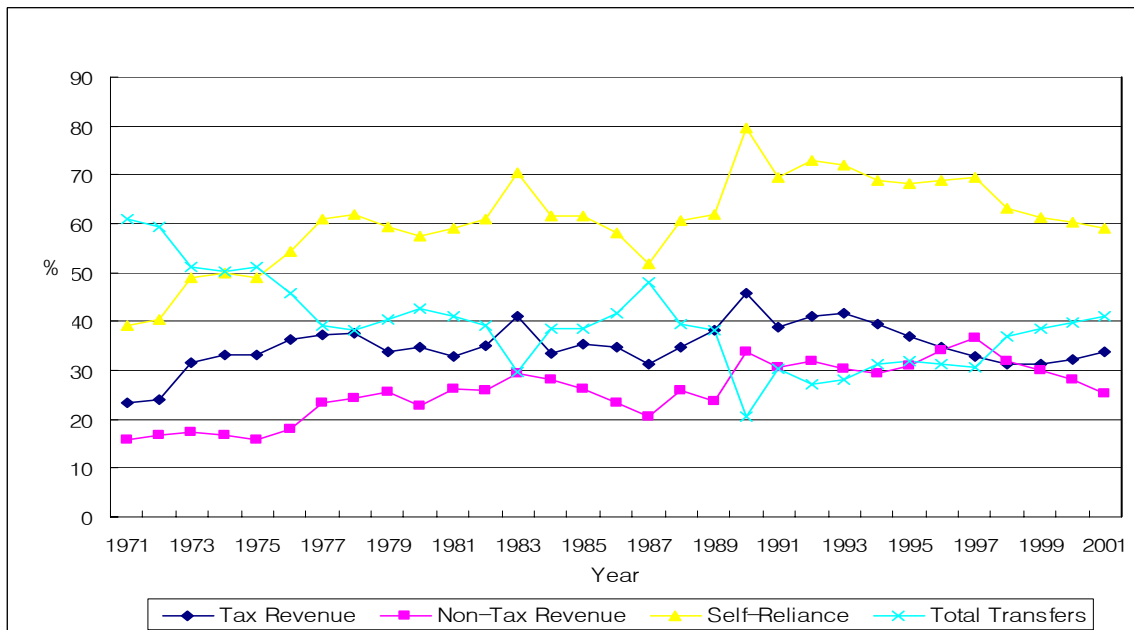
[Figure 6] Ratio of Government Spending to GDP: Special Account (S/A)



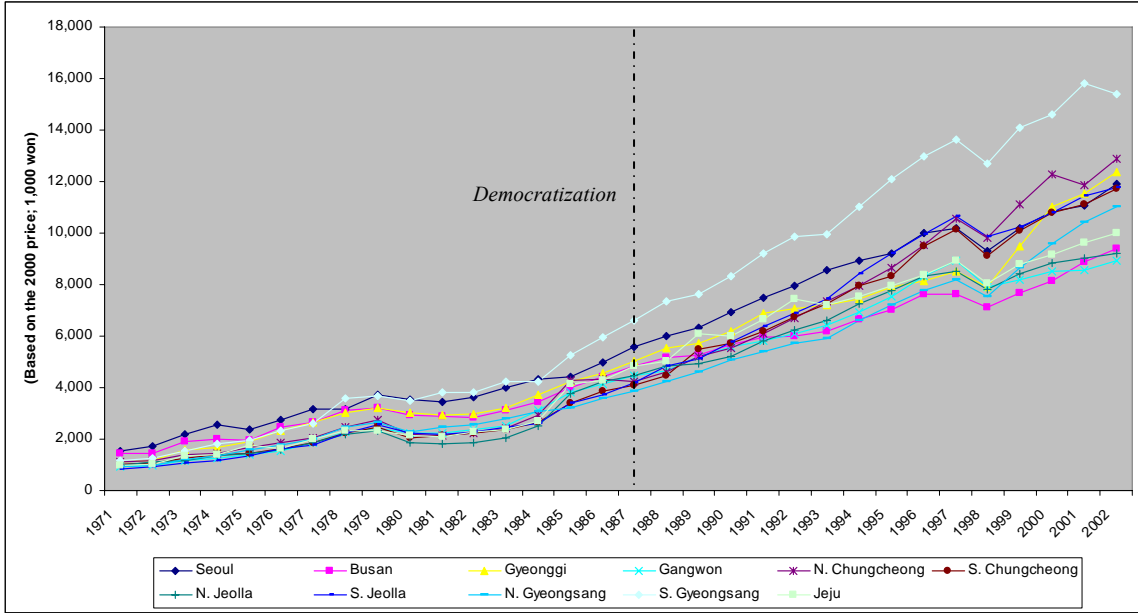
[Figure 7] Ratio of Government Spending to GDP: Consolidated Account (G/A+S/A)



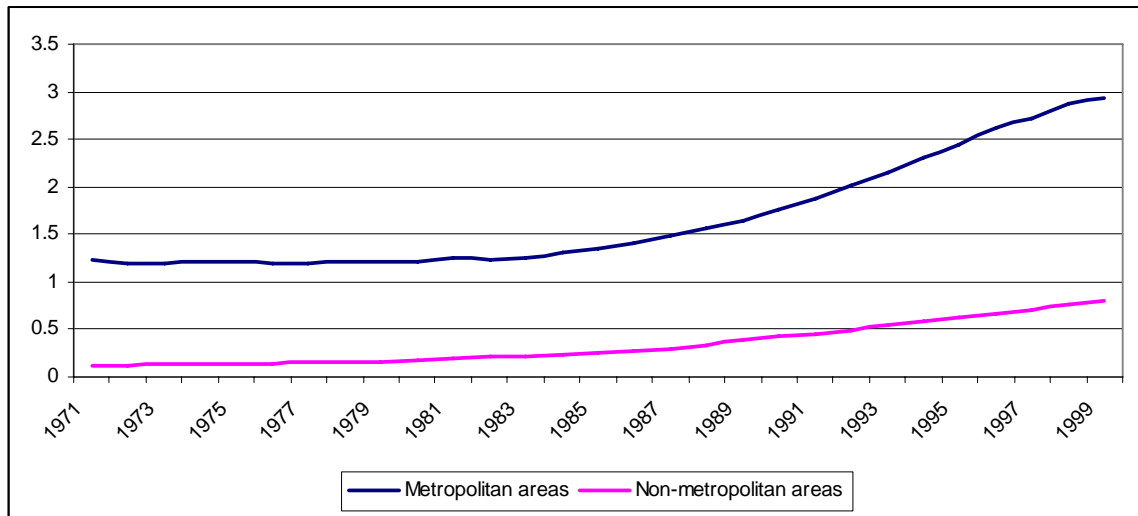
[Figure 8] Fiscal Decentralization of Regional Government (Spending)



[Figure 9] Fiscal Decentralization of Regional Government (Revenue)



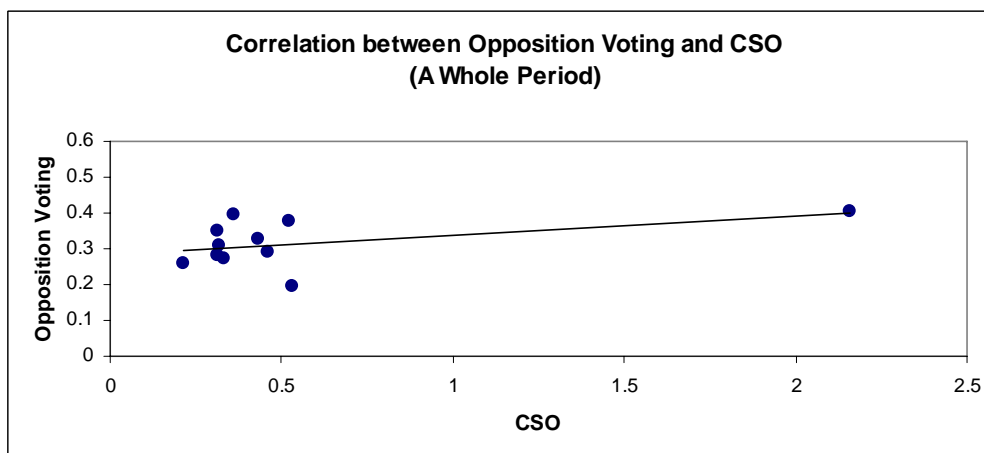
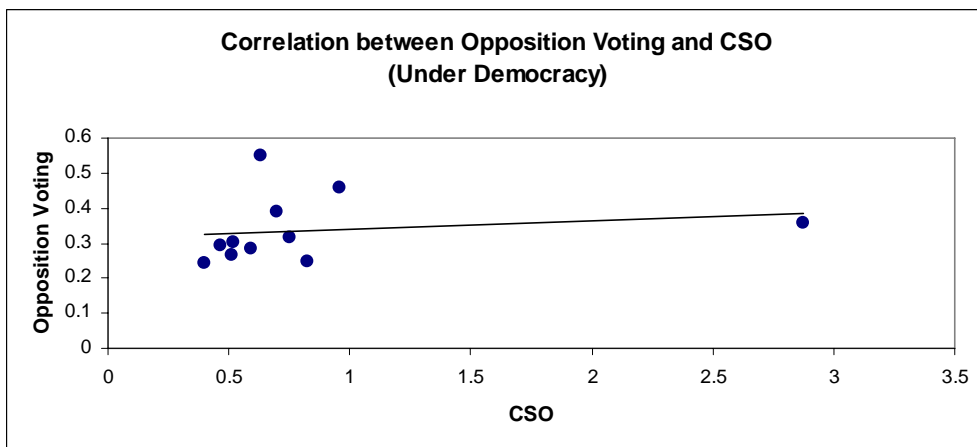
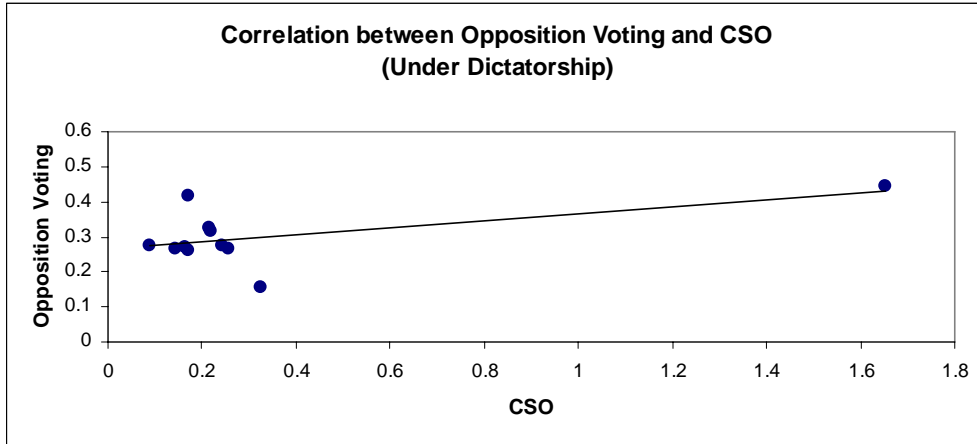
[Figure 10] Real Gross Regional Domestic Product (GRDP) per capita



[Figure 11] Spatial Distribution of Korean Civil Society Organizations

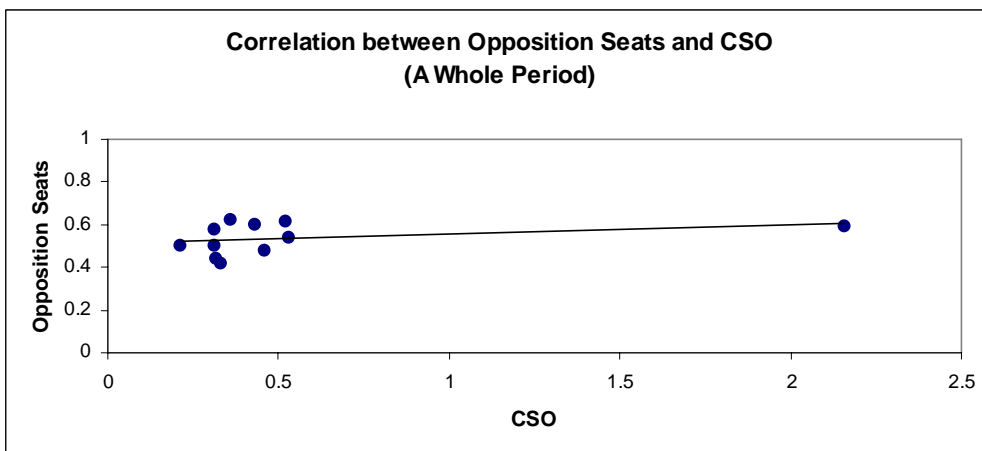
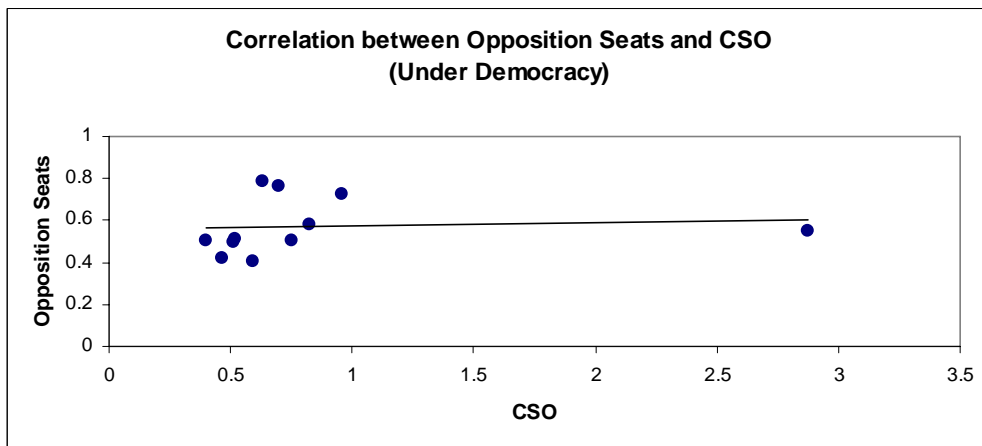
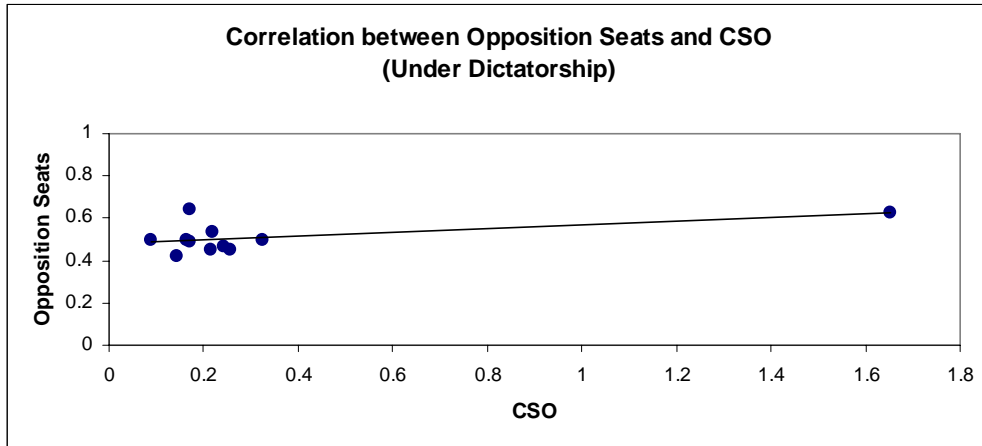


	<i>Dictatorship</i>	<i>Democracy</i>	<i>Total Sample Period</i>
<i>Correlation</i>	0.5579	0.1698	0.4573



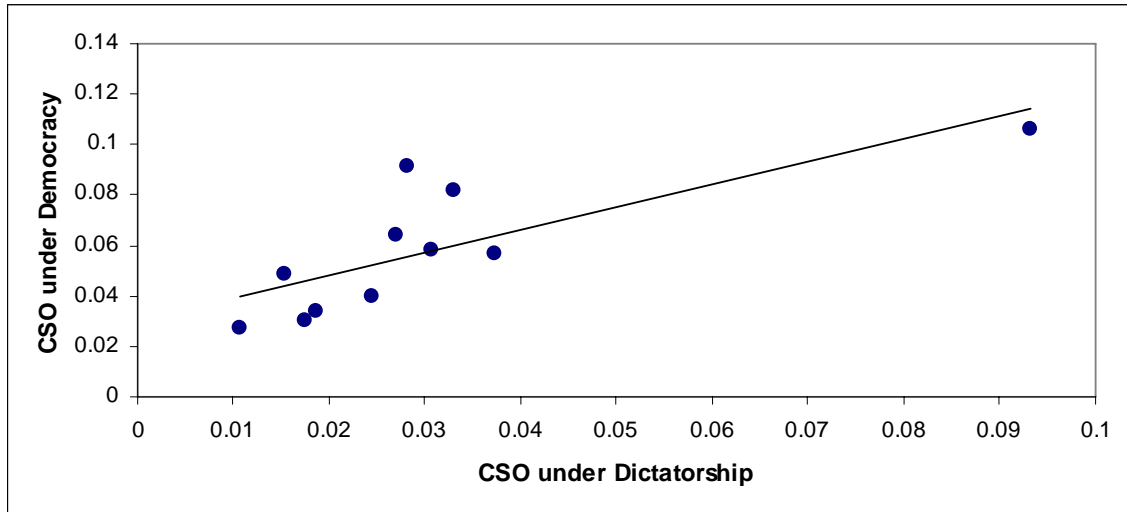
[Figure 12] Correlation between Civil Society and Opposition Voting

	<i>Dictatorship</i>	<i>Democracy</i>	<i>Total Sample Period</i>
<i>Correlation</i>	0.5598	0.0851	0.3250



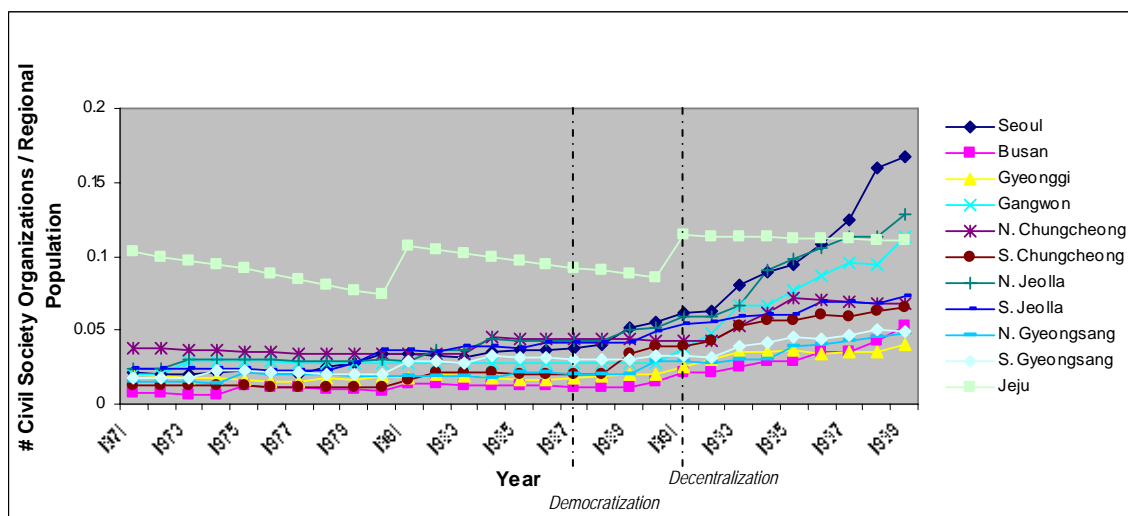
**[Figure 13]** Correlation between Civil Society and Opposition Seats

	CSO in Democracy
CSO in Dictatorship	0.7737



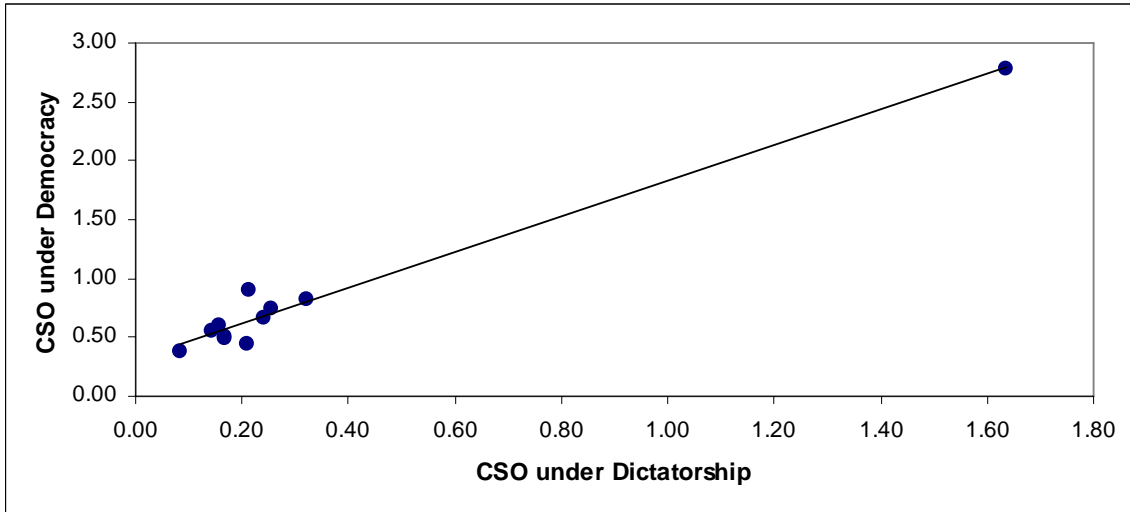
[NOTE] The number is reported by the correlation between  $\overline{CSO}_{i,Dictatorship}$  and  $\overline{CSO}_{i,Democracy}$  for each region  $i$ .

[Figure 14] Correlation observed between Political Civil Society Organization (CSO) in Dictatorship and Democracy



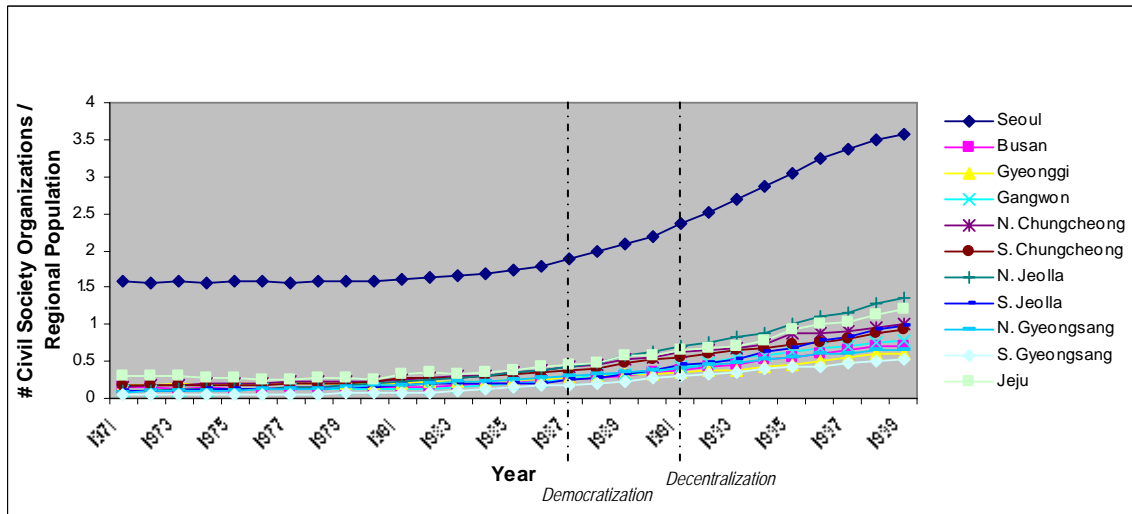
[Figure 15] Regional Scale of Political Civil Society

	CSO in Democracy
CSO in Dictatorship	0.9861



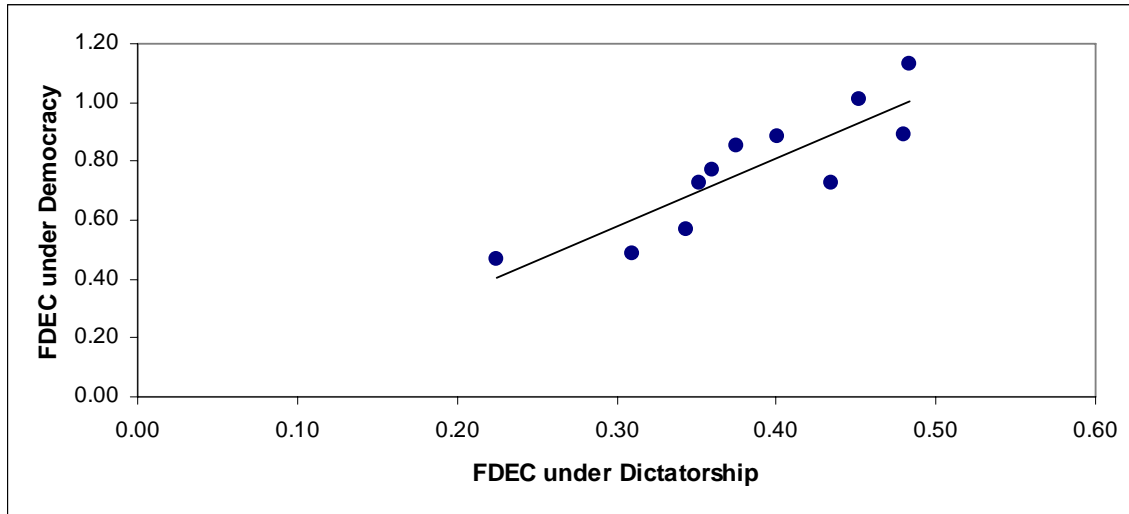
[NOTE] The number is reported by the correlation between  $\overline{CSO}_{i, Dictatorship}$  and  $\overline{CSO}_{i, Democracy}$  for each region  $i$ .

**[Figure 16]** Correlation observed between Nonpolitical Civil Society Organization (CSO) in Dictatorship and Democracy



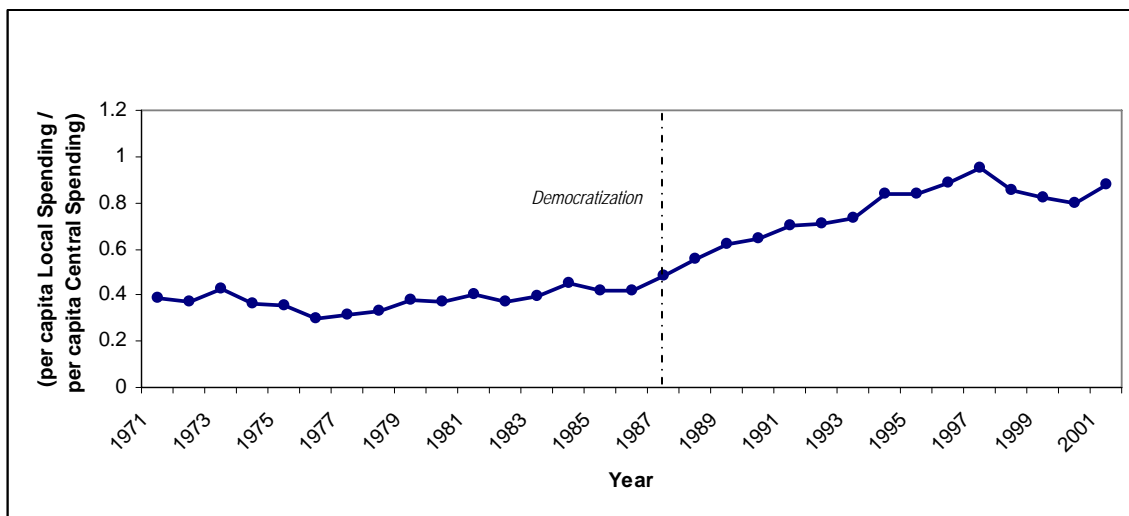
**[Figure 17]** Regional Scale of Nonpolitical Civil Society

	FDEC in Democracy
FDEC in Dictatorship	0.8699

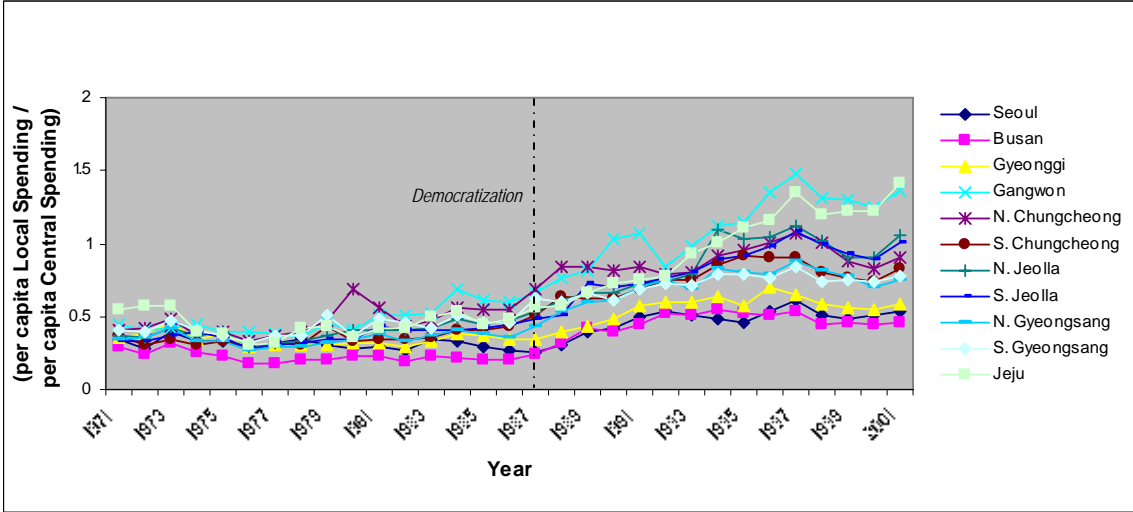


[NOTE] The number is reported by the correlation between  $\overline{FDEC}_{i, Dictatorship}$  and  $\overline{FDEC}_{i, Democracy}$  for each region  $i$ .

[Figure 18] Correlation observed between Fiscal Decentralization in Dictatorship and Democracy



[Figure 19] The Overall Level of Fiscal Decentralization



[Figure 20] Fiscal Decentralization of Local Governments

## APPENDIX A

### DESCRIPTION OF VARIABLES AND DATA SOURCES

Variable	Description	Sources
<i>GRDP</i>	The growth rate of real per capita Gross Regional Domestic Product (1972-2001): Based on the prices of year 2000	<i>Korea Institute For Industrial Economics and Trade (Ministry of Commerce, Industry and Energy)</i>
<i>Hospital</i>	Hospital ratio to regional population (1972-2001)	<i>Yearbook of Health and Social Statistics (Ministry of Health and Social Affairs)</i>
<i>Sickbed</i>	Hospital sickbed ratio to regional population (1980-2001)	
<i>Immunization</i>	The growth rate of DPT immunization (1973-2001) where DPT is a mixture of three vaccines to immunize against diphtheria, pertussis (or whooping cough), and tetanus	<i>Yearbook of Health and Welfare Statistics (Ministry of Health and Welfare)</i>
<i>Mortality</i>	The growth rate of mortality in the age of 0 to 4 years old (1981-2001)	<i>Korean Statistical Information Service (Korea National Statistical Office, <a href="http://www.kosis.kr">http://www.kosis.kr</a>)</i>
<i>Teacher-to-Pupil</i>	Teacher-to-pupil ratio in primary school (1972-2001) which is the number of primary school teachers (regardless of their teaching assignment) divided by the number of pupils enrolled in primary school.	
<i>Primary school</i>	Primary school-to-enrolled student ratio (1972-2001)	
<i>Schools</i>	Gross (primary, secondary, tertiary) school-to-enrolled student ratio (1980-2001)	
<i>Road</i>	Ratio of paved road length to total road length (1979-2001)	
<i>Bridge</i>	A log of the number of bridges (1979-2001)	
<i>Water supply</i>	A log of the capacity of water supply (1979-2001): 1000t/day	
<i>PCSO</i>	The scale of civil society organizations which is measured by the number of political CSOs divided by the number of population (1971-1999)	<i>Directory of Korean NGOs, 2000 (The Korean NGO Times)</i>
<i>NPCSO</i>	The scale of civil society organizations which is measured by the number of nonpolitical CSOs divided by the number of population (1971-1999)	
<i>FDEC</i>	The level of fiscal decentralization (1971-2000): Ratio of local spending per capita to central spending per capita, measured from settlement of accounts	<i>Financial Yearbook of Local Government (Ministry of Finance and Economy)</i>
<i>Local tax</i>	Ratio of local tax revenue to GRDP, measured from settlement of accounts (1971-2000)	<i>Statistical Yearbook of National Tax (National Tax Service)</i>

<i>Labor force</i>	Growth rate of labor force in each region (1971-2000) where labor force is the sum of local farm and manufacturing-industry populations	<i>Korean Statistical Information Service</i> (Korea National Statistical Office, <a href="http://www.kosis.kr">http://www.kosis.kr</a> )
<i>Population</i>	Growth rate of local population (1971-2000)	
<i>Political opposition</i>	The share at each region of the opposition seats in the National Assembly seats ( <i>i.e.</i> , the ratio of the opposition seats to the total seats at each locality): Election years are 1971, 1973, 1978, 1981, 1985, 1988, 1992, 1996, and 2000.	<i>National Election Commission</i> ( <a href="http://www.nec.go.kr">http://www.nec.go.kr</a> )
<i>Voting participation</i>	The share of local valid votes in national valid votes ( <i>i.e.</i> , the ratio of local valid votes to national valid votes) in the National Assembly election: Election years are 1971, 1973, 1978, 1981, 1985, 1988, 1992, 1996, and 2000.	
<i>Expenditure on GA</i>	Share of local budgetary spending on general administration in total budgetary spending of each local government, measured in the settled budget (1971-2000)	<i>Financial Yearbook of Local Government</i> (Ministry of Finance and Economy)
<i>Expenditure on SD</i>	Share of local budgetary spending on social development in total budgetary spending of each local government, measured in the settled budget (1971-2000)	
<i>Expenditure on ED</i>	Share of local budgetary spending on economic development in total budgetary spending of each local government, measured in the settled budget (1971-2000)	
<i>Expenditure on CD</i>	Share of local budgetary spending on civil defense in total budgetary spending of each local government, measured in the settled budget (1971-2000)	



## APPENDIX B

### LIST OF REGIONS



## APPENDIX C

### COMPOSITION AND EXPLANATION OF LOCAL SPENDING

#### *1. General Administration Expenditure*

- 1) Planning Administration
- 2) Home Affairs Administration
- 3) Financial Affairs Administration
- 4) Culture & Public Information: 1971-85
- 5) Others
  - a. Property: 1971-73
  - b. Council & Election: 1971-73
  - c. Protection: 1976-77

#### *2. Social Development Expenditure*

##### 2.1. Social Welfare Expenditure

It is public expenses which the local government spends in order to satisfy a social wants that private economic members cannot fulfill such as the management of public school, the construction and maintenance of public hygiene facilities, the public service for relieving a youth, an orphan, and the poor, and the vocational guidance activities. Social Welfare Expenditures are classified as the government grants for 1) Welfare Business and 2) Health & Sanitation.

- 1) Welfare
- 2) Health & Sanitation

##### 2.2. Civilization & Physical Education Expenditure

- 1) Civilization & Art

The expenses were designed to promote and preserve regional cultures and to build local and community patriotism. The expenditure is used for promotion of event and improvement of facilities for local civilization and art, management of cultural properties, etc.

2) Physical Education

The main purpose of this expenditure are diffusing sports and developing physical strength among community members, and, in the long run, promoting health in regional societies. This is used to promote various sports event and to improve sports facilities.

3) Education

This expenditure is related to compulsory education such as wages of teachers who work for the institutions for compulsory education.

### *3. Economic Development Expenditure*

#### *3.1. Industry & Economy Expenditure*

Industry & Economy Expenditures says the government expenses for the core business out of various affairs in revitalizing regional industry and economy. It includes 1) Agriculture & Fishery & Livestock, 2) Forestry, 3) Commerce, Industry & Transportation, 4) Rural Development, 5) Industrial Improvement, and 6) Others. The Agriculture Expenditure amalgamated Farmland Improvement and Rural Development in 1975 and 1986, respectively. Industrial Improvement was combined as Commerce, Industry & Transportation in 1986.

- 1) Agriculture & Fishery & Livestock
- 2) Forestry
- 3) Commerce, Industry & Transportation
- 4) Rural Development: 1971-85
- 5) Industrial Improvement: 1982-85
- 6) Others
  - a. Sericulture: 1971-81
  - b. Farmland Improvement: 1971-74
  - c. Operation of Branch Office: 1976-77

#### *3.2. Regional Development Expenditure (or Public Utilities Expenditure)*

Regional Development Expenditures is the local government expenses for the public utilities such as roads and bridges, the housing construction, and the cultural events to develop regional life environment. Regional Development Expenditures per capita of each local government tends to considerably rely on the number of registered vehicles as well as the local share tax allocated by the central government.

1) Urban Development

As a source to supply funds related to the town development, Urban Development implies all public expenses in providing resources to promote an efficient city development.

2) Road & Flood Control

3) Regional Development

4) Others

a. Safety Management: 1971-81

b. Fire Management: 1974

c. Tourist & Transportation: 1975-81

d. City Planning: 1971-81

City Planning is the expenses required in drafting, determining, and enforcing the urban planning for city construction, maintenance, and improvement. Its purpose is to design a sound development of city and promote public welfare.

#### *4. Civil Defense Expenditure*

Civil Defense Expenditures says the expenses for the national security and welfare and the prevention of national disasters, according to the Law of Civil Defense. It is classified as 1) Civil Defense and 2) Fire Fighting.

1) Civil Defense

This includes all expenses associated with an organization, administration, and training of the Civil Defense Corps as well as an establishment and superintendence of the Civil Defense Facilities.

2) Fire Fighting

Fire Fighting is the expenditures associated with a fire fighting service to maintain public order and promote social welfare by preventing a fire and other disasters from citizen's life and property.

#### *5. Support & Other Expenditure*

1) Local Borrowing Repayment

Local Borrowing Repayment is the expenditures in repaying financial liabilities that the local government issued to meet its budget deficit due to a public business by the central government policy or a disaster-related outlay.

2) Transfers To

Like the grain market improvement fund, the procurement fund, a revolving fund, and a fund endowment, Transfers To implies the expenses transferred to non-financial public enterprises for the influx of capital or economic development.

3) Collection Grants

4) Contingency: 1971-80, 1986-87

Contingency is a provision to sustain the flexibility of budget. The Article 21 of the Financial Law of Budget defines Contingency as the expenses appropriated to the settled expenditures to meet unexpected excess outlay or defrayment unprovided for in the budget. Since it does not specify the purpose of its own use but appropriates inclusive amount for budget, the local government must gain ex post facto consent to the expenditure for Contingency from the National Assembly.

5) Lending: 1971-74

6) Other Expenditures

## APPENDIX D

### RENT-SEEKING ACTIVITIES OF KOREAN CIVIL SOCIETY ORGANIZATIONS

#### 1. Economy

As they form an independent judgment that the market openness due to a free trade interferes with their rent-seeking, *Korean Confederation of Trade Unions* are opposed to the Korea-U.S. FTA under a specious slogan of 'labor liberation'. They put pressure on the government decision in order to attain exclusive rent-seeking (e.g., high wages) and the stability of employment. Their strike, assembly, and demonstration are violent as well as unlawful. Nonetheless, some civil society organizations, which are closely related to *Korean Confederation of Trade Unions*, bear a supportive attitude toward them.

- Source: *DongA Ilbo*, 2006.7.18

Twenty-eight civil society organizations including *People's Solidarity for Participatory Democracy*, YMCA, and *Citizen's Coalition for Democratic Media* had a press conference and urged the *E-Land* to withdraw wrongful dismissal and solve the issue of irregular job position workers. Concerning this claim of theirs, *Center for Free Enterprise* refutes it with pointing out three problems. First, the enactment of the Irregular Worker Protection Law will regulate a free market and so exert an evil influence like an increase in production costs by additional employment. Hence, it would worsen the unemployment level and distort the market economy. Second, civil society coalitions seem to forget that a business is not a charitable organization but a profit-seeking organization. Third, it is collective egoism and illegal activity for pushing on their demand to the last that protestors occupy the *E-Land's* sales shop and close up its business. But, advocating the protestors, civil society organizations denounce the lawful act of a business and further demand its concession and sacrifice.

- Source: *Assembly News*, 2007.7.18

## 2. Infrastructure

Although it is critical to lure a new airport for the development of North Jeolla, the central headquarters of local civil society organizations in North Jeolla has been opposed to this project from 1997 by reason of the budgetary waste of local government. In recent symposium, entrepreneurs, industrialists, and bureaucrats at the North Jeolla localities criticized such central civil society organizations severely. Even the (grass-roots) regional civil society organizations did not vindicate central claims and addressed a different opinion about the new airport construction, based on local demand and economy. Also, when raising an issue of the liquidation of *Samsung Motors* at Busan in 1998, central civil society organizations and their local branches condemned *Samsung Motors* but many (grass-roots) regional civil society organizations defended its situation, standpoint, and decision. Regarding those conflicts between civil society organizations, Dr. Yeong-jeong Kim in Sociology at University of North Jeolla argues that local civil society associations have to make a true effort to stimulate the underdeveloped regional economy without following central guidelines unconditionally.

- Source: *JoongAng Ilbo Institute for Civil Society, 2002.2.4*

## 3. Health Services

Against enforcing the separation of dispensary from medical practice, the medical profession made a few demonstrations and five strikes during this year of 2000 alone. Starting with *Yeouido* assembly on February 17<sup>th</sup>, there was the first strike and protest movement of medical community and the second strike took place on April in the same year. On June, the participation of medical doctors and university professors even led to a great medical disturbance owing to a 6-day protest campaign. What is worse, for 17 days across three protest campaigns from July 29<sup>th</sup> through October 11<sup>th</sup>, the residents at the university medical centers called a strike against the government again. Consequently, to conciliate the medical profession, the government determined to increase the charge for medical treatment and to revise the health insurance system. But, those appeasement measures resulted in excessive government expenditure at the end, and the government came into suffering from a great budget deficit of about \$1.7 billion dollars as well as a strong repulsion of the labor world and citizen.

Regarding this social and economic tragic event, *Citizen's Coalition of Economic Justice*, one of the representative civil society organizations, seriously criticized civil society organizations themselves addressing "civil society coalitions should listen to the voice of public opinion and humbly reflect on their conduct." Namely, pointing out that quite a few current civic movements tended to be unlawful and many organizations indulged in sensationalism and became bureaucratized, it criticized that civil society coalitions vindicated and cooperated with the government rather than either requiring further

reexamination or making a counterproposal even if they detected a misgovernment and unprepared policy of the Executive at the separation of dispensary from medical practice.

- Sources: *Maeil Business*, 2000.12.28/ *Maeil Business*, 2001.12.26/ *DongA Ilbo*, 2001.6.15

#### 4. Education Services

To protect the working conditions and position of teachers, *the Korean Teachers and Education Workers' Union* is opposed to enforcing 'teacher evaluation system' and turns aside the faces of students and their parents who demand this innovative education system. What is worse, *the Korean Teachers and Education Workers' Union* is inciting the illegal strikes and campaigns of teachers so as to confront the government education policy. Nevertheless, *the Korean Federation of Teachers' Associations*, a civil society organization in the field of education, defends *the Korean Teachers and Education Workers' Union* concerning the operation of 'teacher evaluation system'. A civil society association has to make government policies reflect public opinion, but its activity is not help rather a hindrance to the qualitative growth of education and educational circumstances.

- Source: *Ohmy News*, 2008.9.10

As *Ministry of Education and Human Resources* has decided to find the principals through open recruitment by way of showing an example and also intensify a titular 'performance-based pay system for teachers' without any power, both the teacher's associations and a civil society organization are strongly objecting to the government's educational innovation policies. In fact, it would be desirable to school innovation if a principal is recruited publicly and chosen on the basis of the ability rather than the seniority system. Additionally, 'performance-based pay system for teachers' is expected to cultivate a quality of teachers. Educational development through a well-intentioned competition is indeed the demands of the times. But, *the Korean Federation of Teachers' Associations* affiliated with the principals criticizes the 'Principal Invitation and Public Subscription System (PIPSS)' by reason of that this system may cause a disorder in the teaching profession. About 'performance-based pay system for teachers', *the Korean Teachers and Education Workers' Union* stages an abolition march arguing that this system may instigate an occupational hierarchy as well as a feud in the teacher's society. Such oppositions are no more than collective egoism. Even, Kim Jin-kyeong, a former prominent member of the teacher's associations and a secretary to the Education Minister, has criticized *the Korean Federation of Teachers' Associations* and *the Korean Teachers and Education Workers' Union* as an obstructor who advocates merely the standpoint of teachers.

- Source: *JoongAng Ilbo*, 2006.6.16



## 5. *General*

South Korean naval vessels fired warning shots at the North Korean patrol boats that crossed the Northern Limit Line (NLL) in the Yellow Sea, the demarcation line of the maritime border between the two Koreas. Although this battle was a national event important enough to result in the war, it was not reported to the president. Moreover, there were another series of maladministration cases such as President Roh Moo-hyun's proposal on the historical guilt of Japan ("Unless a good chance for mutual agreement between the two governments is prepared, the Korean government will not dispute formally that the Japanese government should repent for past wrongdoings and offer apologies"), an armed suppression about a local resident's demonstration against a disposal facility of radioactive waste matter, and a reversal of government policy at the unveiling of apartment production cost. However, some civil society organizations firmly safeguarded the government from its misrule. They often show a phase of crony capitalism.

- *Source: Chosun Ilbo, 2004.8.24*

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