

Volume 1 of 2

Understanding Institutional Changes Toward Decentralised Governance

A Comparative Study of Japan and Korea

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Abstract

During the last decade, about 95 per cent of democracies implemented one or more types of decentralisation reforms. Decentralisation encompasses administrative, fiscal, and political dimensions and depths of deconcentration, delegation, and devolution. The extant literature deals with origins, processes, and outcomes of decentralisation and demonstrates diverse outcomes such as subnational autonomy, accountability, economic growth, and the quality of public service delivery.

This thesis investigated decentralisation empirically, methodologically, and theoretically. First, a measurement tool is developed to capture the degree of changes in subnational autonomy. Second, Falleti's theory was applied to the first wave of decentralisation in Japan and Korea. As the results demonstrate the lack of generalisability, the author developed an historical ideological framework which explains causality from powerful actors' ideological footholds to types of decentralisation. Finally, cross-country and cross-sector case studies confirm that powerful actors' motivations, public consensus and institutional factors shape types of decentralisation which determine the degree of changes in subnational autonomy.

As a whole, the thesis contributes to the knowledge by showing limitations of Falleti's sequential theory of decentralisation. Empirically this thesis measures the degree of changes in subnational autonomy after the first and the second wave of decentralisation in Japan and Korea with a more nuanced and comprehensive measurement tool.

Methodologically, the thesis shows limitations of theory-guided intensive process-tracing and potential advantages of extensive process-tracing. Theoretically, the thesis shows ideas combined institutional factors have causal power as strong as interests.

Notwithstanding several contributions, the thesis contains some limitations and renders insights for future studies. Historical ideological causality based on decentralisation in Japan and Korea should be tested in another location to expand generalisability. The tool to measure subnational autonomy developed by the author should be improved by fine-tuning technical issues. For periodization of decentralisation, an economic perspective of post-developmental decentralisation as well as a social perspective of the expansion of Welfare State should be considered.

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List of Acronyms

5.31 Education Plan	the Education Reform Plan for the Civilian Administration of Korea
A	Appointed
AA	Administrative Authority
A (D)	Administrative Decentralisation
AR	Administrative Responsibility
ASO	Types of Appointment of Subnational Officials
CHA	Comparative Historical Analysis
Diet	the upper and lower chamber of the National Assembly of Japan
DSP	the Democratic Socialist Party of Japan
E	Elected
E/A	Restrained Election
F (D)	Fiscal Decentralisation
FA	Fiscal Authority
FR	Fiscal Responsibility
Gyokakushin	the Ad hoc Provisional Administrative Reform Promotion Councils of Japan
IMF	International Monetary Fund
JCP	Japanese Communist Party
JCD	the Joint Committee for Devolution of Korea established in 1991
Jichiro	Trade Union of Local Government of Japan
JMIAC	Ministry of Internal Affairs and Communications of Japan
JMOE	Ministry of Education of Japan
JMOF	Ministry of Finance of Japan
JMOHLW	Ministry of Health, Labour, and Welfare of Japan
JSP	Japanese Socialist Party
Keidanren	Japan Business Federation
KEPB	Economic Planning Board of Korea
KFTA	the Korean Federation of Teachers Association
KMOE	Ministry of Education of Korea

KMOF	Ministry of Finance of Korea
KMOFE	Ministry of Finance and Economy
KMOI	Ministry of Interior of Korea
KMOHW	Ministry of Health and Welfare of Korea
KMOPB	Ministry of Planning and Budgeting of Korea
Korea	South Korea
KTEWU	the Korea Teachers and Education Workers Union
LDP	Liberal Democratic Party of Japan
LSRC	the Local System Research Council
NBLP	National Basic Livelihood Protection Service of Korea
NPM	New Public Management
NR-SO	National Ruling and Subnational Opposition Coalition
NSA	Number of Subnational Association
NTA	National Teachers Association of Korea
Nykkyoso	Japan Teacher's Union
P (D)	Political Decentralisation
PA	Political Authority
PCBND	the Presidential Committee for Balanced National Development of Korea
PCPP	the Presidential Committee for Policy Planning of Korea
PCPTCA	the Presidential Committee for the Promotion of Transfer of Central Authorities of Korea
PCGID	the Presidential Committee for Government Innovation and Decentralisation of Korea
PMA	Policy-Making Authority
PR	Political Responsibility
Rincho II	the Second Ad hoc Commission of Administrative Reform of Japan
Rinkyoshin	the Ad Hoc Council of Education Council of Education of Japan
SDP	Social Democratic Party
SNTV-MMD	Single non-transferable vote in multi-member constituency
SSE	Subnational Share of Expenditures
SSR	Subnational Share of Revenues

RISSP	the Research Institute for Subnational Self-Governance Practice of Korea
TRI	Territorial Representation of Interests in the National Legislature
UNDP	United Nations Development Program
Zenkyo	All Japan Teacher and Staff Union

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Author's Declaration

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

Chapter 1 Introduction

BACKGROUND

During the last decade, about 95 per cent of democracies implemented one or more types of decentralisation reforms (Rodriguez-Pose and Ezcurra 2010). A wealth of literature examined this worldwide phenomenon. Studies focus on either the political contestations of decentralisation or the outcomes of subnational autonomy and accountability (Grindle 2009; Falleti 2010). Studies of developing countries have explored decentralisation, particularly fiscal decentralisation, and economic development (Rodriguez-Pose and Ezcurra 2010; Weingast 1995). Some academics give more attention to good governance and investigate positive and negative impacts of decentralisation such as efficiency, equity, and quality of public service delivery (Barankay and Lockwood 2007; Oates 1972; Tiebout 1956). Overall, the extant literature about origins, processes, and outcomes of decentralisation demonstrates diverse outcomes in terms of subnational autonomy, accountability, economic growth, and the quality of public service delivery.

As decentralisation is a 'malleable concept' involving dimensions of administrative, fiscal, political, and depths (deconcentration, delegation, and devolution), its outcomes should be investigated using a clear analytical framework (Dubois and Fattore 2009; Falleti 2010). After reviewing decentralisation literature, the author agrees with Falleti's (2010) argument that decentralisation does not always increase subnational autonomy. In addition to Falleti's argument, the author argues that *subnational autonomy* is an intermediate variable to link decentralisation and its outcomes such as subnational accountability and the quality of public service delivery.

This understanding of subnational autonomy as an intermediate variable raises four questions. First, what shapes the direction of institutional changes toward decentralisation? Second, what determines types of decentralisation? Third, what determines the degree of change in subnational autonomy after decentralisation? Lastly, how does subnational autonomy shape the performance of decentralised governance such as accountability and quality of public service delivery?

RESEARCH OBJECTIVES

Bearing these four questions in mind, this thesis is developed based on the following theoretical, methodological, and empirical research objectives.

The first research objective is to develop a theoretical framework which explains institutional changes toward decentralisation. *The second research objective* is to develop a methodological framework which captures institutional changes toward decentralisation. *The third research objective* is to investigate and analyse empirical cases focusing on how institutional changes toward decentralisation impact subnational autonomy in education and social service delivery in Japan and Korea. The fourth objective that flows from the previous ones is to *build a theory of decentralisation and subnational autonomy* based on theoretical, methodological, and empirical research objectives.

THEORETICAL FRAMEWORK

The thesis understands decentralisation as an institutional change. A historical approach with an ideational emphasis is developed in order to highlight the causal pathways toward decentralised governance. First, a sequential theory of decentralisation (Falleti 2010) – which explains prevailing territorial interests as causal agent to determine the degree of changes in subnational autonomy – is critically reviewed. Second, a historical approach with an ideational emphasis is suggested, as lacking ideological considerations are revealed as a major limitation of Falleti's theory. As causal factors to shape actors' preferences toward decentralisation, ideas (i.e., partisan orientations and personal beliefs) are added to partisan and territorial interests (Falleti 2010).

Third, three types of decentralisation – administrative, fiscal, and political decentralisations – are expanded into six types. Political decentralisation always increases subnational autonomy. However, administrative and fiscal authority instead of responsibility increases subnational autonomy. Lastly, based on expanded typologies and ideological consideration, a revised historical theoretical framework is developed for the empirical studies of the thesis.

METHODOLOGY

This thesis aimed at tracing causal pathways from prevailing interests and ideas to change of subnational autonomy. First, after reviewing extant research about measuring subnational autonomy, a comprehensive tool is developed to measure the degree of changes in subnational autonomy with 11 variables within 4 domains. Second, primary and secondary data are collected from in-depth interviews and archival studies. The collected data are used for measuring changes of subnational autonomy and tracing causality.

Third, the thesis undertakes theory-testing process-tracing, which aims at testing the generalisability of Falletti's theory to Japan and Korea. As theory-testing process-tracing did not offer sufficient explanation about the change of subnational autonomy in Japan and Korea, explaining-outcomes process-tracing is undertaken to the same cases. Fourth, the results of explaining-outcomes process-tracing are compared by comparative historical approaches.

RESEARCH DESIGN

The thesis consists of six case studies (see Figure 5.1). First, based on the results of a systematic literature review, Japan and Korea were chosen as the subjects of the empirical studies. Second, the periodization of decentralisation was taken from Falletti's cases, starting with the first post-developmental decentralisation reforms, in order to obtain comparative advantages. When all three types of decentralisation are observed in each case, the first wave of decentralisation is ended. Third, the second wave of decentralisation starts with the first decentralisation reform after the first wave of decentralisation and ends after all three types of decentralisation are observed.

As a whole, the thesis undertakes six case studies. Two cases of theory-testing process-tracing are undertaken for Japan and Korea during the first wave of decentralisation. Two cases of explaining-outcomes process-tracing are undertaken for the same cases. Lastly, two cases of explaining-outcomes process-tracing are undertaken for Japan and Korea during the second wave of decentralisation.

CONTRIBUTION TO KNOWLEDGE

Theoretically, this thesis tests the generalisability of Falletti's sequential theory of decentralisation to Japan and Korea. After testing Falletti's theory with a theory-testing process-tracing method, the author concludes that Falletti's interest-based theory cannot explain sufficiently institutional changes toward decentralised governance in Japan and Korea. Instead, the thesis shows that ideas held by dominant actors had causal power to bring about institutional changes toward decentralisation. Methodologically, this thesis developed a more nuanced and comprehensive tool to measure the degree of changes in subnational autonomy after the first and the second wave of decentralisation in Japan and Korea. In addition, the thesis shows the limitation of theory-guided intensive process-tracing and the potential advantages of extensive process-tracing. Empirically, the thesis studies actors, ideas, processes, and outcomes of the first and the second wave of decentralisation in Japan and Korea.

ORGANISATION OF THE THESIS

This thesis consists of 11 chapters and is organised in four parts. The first part (Chapters 2 and 3) develops a theoretical framework to explain institutional changes toward decentralisation. In Chapter 2, a multi-faceted concept of decentralisation is investigated in terms of origins, types, and degrees of decentralisation. In Chapter 3, current discussions on institutional change and decentralisation are investigated as this thesis understands decentralisation as institutional changes. Then, a theoretical framework including ideological approaches is presented to explain what shapes decentralisation processes and subnational autonomy.

The second part (Chapters 4, 5, and 6) outlines systematic literature reviews, case selection strategies, methodological tools to discuss decentralisation and measure subnational autonomy. In Chapter 4, extant literature on South and East Asian countries is systematically reviewed to identify current discussions on decentralisation of education and social services and subnational autonomy in South and East Asian countries. Chapter 5 justifies the case selection, compulsory education and long-term care services, in Japan and Korea. In addition, three variants of process-tracing are introduced as the main

methods of this thesis. Process-tracing is a valuable method to trace causality from actors, interests, and ideas to the types of decentralisation as well as to trace causality from decentralisation policies to subnational autonomy. Chapter 6 reviews a range of measurement tools of subnational autonomy and presents an instrumental framework to measure subnational autonomy.

The third part (Chapter 7, 8 and 9) implements empirical case studies of Japan and Korea. In Chapter 7, in-depth case studies for the first period of decentralisation in Japan (1982-1991) are implemented by using theory-testing and explaining-outcomes process-tracing. In Chapter 8, in-depth case studies for the first period of decentralisation in Korea (1989-1997) by using theory-testing and explaining-outcomes process-tracing. In Chapter 9, in-depth case studies for the second period of decentralisation in Japan (1997-2006) and Korea (1998-2008) are implemented by using explaining-outcomes process-tracing.

The fourth part (Chapter 10) builds *a theory of decentralisation and subnational autonomy* and concludes this thesis. Chapter 10 presents a theory of decentralisation and subnational autonomy by merging systemic causal mechanisms of explaining-outcomes process-tracing in Japan and Korea. Then, it concludes the main results, strengths, and drawbacks of this thesis and presents avenues for future research.

Chapter 2 Decentralisation and its Dynamics

INTRODUCTION

Decentralisation has been a central issue of government reforms for the last three decades (Faguet and Poschl 2015; Rodriguez-Pose and Ezcurra 2010). In developed countries, global economic recessions in the 1970s provided momentum to streamline *big government to small government* by decentralising authority and responsibility to subnational governments and the private sector. The internal political movement from authoritarian government to democratisation and external diffusion of neoliberal ideas pushed developing countries to implement decentralisation reforms. Although a range of administrative, fiscal, and political reforms are described under the single expression of *decentralisation*, decentralisation does not hold one meaning but is multi-faceted.

It is important to specify the types and degrees of decentralisation in empirical analyses for two reasons. Firstly, the types and degrees of decentralisation reflect driving forces and power distribution when the decentralisation reforms unfold. Secondly, the types and degrees of decentralisation shape the changes in intergovernmental governance, which results in significant repercussions for subnational autonomy, quality of public service delivery, and well-being.

Therefore, this chapter consists of three parts. First, widely-used typologies of decentralisation are outlined and the multi-faceted features of decentralisation are dismissed. Second, how extant literature understands driving forces of decentralisation is outlined. Third, we introduce Parker's (1995) theoretical framework about the types of decentralisation and outcomes, results, and impacts to clarify the aim of this thesis.

UNDERSTANDING DECENTRALISATION

Although *centralisation or decentralisation* has been a longstanding debate in many academic disciplines (Peckham et al. 2008; Pollitt 2007), it is hard to define decentralisation with either one clear theory or one approach (Saltman et al. 2006; Vrangbæk 2007). In general, *decentralisation* refers to transferring authority and

responsibility from higher levels of government to lower levels of government or private sectors (Litvack et al. 1998; Rondinelli 1983). In detail, various approaches are taken to define and conceptualise decentralisation according to types, degrees, and recipients, directions of transferred authority and responsibility (Dubois and Fattore 2009).

Amongst a dozen of decentralisation typologies, Wolman's (1990) and Rondinelli's (1983) typologies are the most-widely used. Wolman (1990) divides decentralisation into political, administrative, and economic (i.e. fiscal) dimensions according to the types of transferred authority and responsibility. This typology is adopted by Falleti (2010), Litvack et al. (1998), Smoke (2003), and Schneider (2003). In addition, Rondinelli (1981) classified decentralisation into four categories of deconcentration, delegation, devolution and privatisation according to the degree of decentralisation. This typology is applied in Manor (1999) and Benz (2002).

Other scholars also present their own decentralisation typologies. For instance, the Mintzberg's (1980) typology of vertical vs. horizontal and selective vs. parallel decentralisation, Shah and Thompson's (2004) typology of big push vs. small steps, bottom up vs. top down and uniform vs. asymmetric decentralisation, and Pollitt's (2005) decentralisation of internal vs. external and non-competitive vs. competitive.

There are two analytical advantages in understanding decentralisation based on Wolman's (1990) typology. First, driving forces such as power distribution amongst actors and dominant ideas when decentralisation reforms unfold are reflected in the types and degrees of decentralisation (Falleti 2010; Pierson 1996). Second, as aforementioned, the types and degrees of decentralisation shape changes in intergovernmental governance, which has significant repercussions for subnational autonomy, the quality of public service delivery, and well-being (Falleti 2010; Litvack et al. 1998). Hence, a good understanding about the multifarious features of decentralisation provides a solid analytical leverage by enabling a researcher to specify the types and degrees of decentralisation when analysing decentralisation and its outcomes. Hence, features of decentralisation are introduced mainly based on Wolman's (1990) typology in this section.

Wolman's Typology: Political, Administrative, and Fiscal Decentralisation

Wolman (1990) understands decentralisation with political, administrative, and fiscal aspects. First, *political decentralisation* refers to transferring political decision-making authority and discretion to citizens and their elected representatives (Ebel and Yilmaz 2003; Wolman 1990). In some cases, political decentralisation entails constitutional and legislative amendments, electoral system changes, and pluralistic party politics strengthening in order to reflect citizens' voice and exit options (Hirschman 1970; Shah and Thompson 2004; Wolman 1990). For example, constitutional reforms and legislations aiming for the introduction of popular elections of governors and subnational councils are a basic step of political decentralisation (Falleti 2010; Pollitt 2007).

In other cases, political decentralisation entails the changes of laws and policy-making processes in order to share policy-making discretion with non-subnational (Schneider 2003). Changes in policy-making processes and practices by introducing *direct negotiations* with interests' groups, NGOs, and trade unions are an example of political decentralisation (Ebel and Yilmaz 2003; Schneider 2003: 39). This is why political decentralisation is regarded as a means to remedy the deficient political accountability of centralised governance (Bodman et al. 2010). In summary, political decentralisation refers to what extent political decision-making authority is shared by national, subnational government, and private actors. At the same time, it captures the extent to which national and subnational governance represents preferences and interests in its jurisdiction.

Second, *administrative decentralisation* refers to the rearrangement of authority and responsibility of public service management and delivery amongst national, subnational, semi-autonomous entities, and private entities (Pollitt 2007; Smoke 2003). In some cases, administrative decentralisation aims to enhance managerial efficiency by transforming low-level administrators as active and entrepreneurial managers (Peckham et al. 2008; Saltman et al. 2006). In other cases, administrative decentralisation is exploited by national politicians to dump administrative responsibilities to subnational levels and the private sector, mainly in order to reduce public expenditure.

The contents of administrative decentralisation will vary. Rondinelli (1983) classifies administrative decentralisation into functional and area distribution of power. Functional distribution of power refers to transferring policy-making authority, management and delivery responsibility from national government to functionally specialised quasi-autonomous entities for education, healthcare, and pensions. Area distribution of power refers to transferring policy-making authority, management and delivery responsibility, from national government to lower governmental entities located within a certain geographical boundary.

In addition, Rondinelli (1983) classified administrative decentralisation by degrees into deconcentration, delegation, devolution, and privatisation. *Deconcentration* refers to transfers of policy-delivery responsibility from higher to lower administrative bodies in one organisation. In many cases, the higher entity holds policy-making authority and the lower entity takes administrative responsibilities to deliver deconcentrated public services. *Delegation* refers to transfers of policy-making authority and policy-delivery responsibility from higher to lower entities or semi-autonomous organisations. Although delegation has a real or quasi contractual form, lower entities or semi-autonomous organisations are given a rather limited level of policy-making authority and the higher entity holds extensive supervisory authority and final responsibility on delegated public services.

Devolution refers to transferring policy-making and managerial authority, as well as fiscal and delivery responsibility from national government to legally separate entities. As fiscal responsibility as well as policy-making authority is transferred, devolution is closely related to fiscal decentralisation. In many cases, devolution takes place from national government to politically decentralised subnational government or quasi-autonomous entities. *Privatisation* refers to transferring the responsibility of public service delivery from the public sector to the private sector including for-profit and non-profit organisations (Bahl 1999; Dubois and Fattore 2009; Rondinelli 1983).

Pollitt (2007) classified administrative decentralisation into internal and external decentralisation in terms of where decentralisation takes place. Internal decentralisation means that authority is delegated from one to another unit within the same organisation. Internal decentralisation may shift authority and responsibility vertically and horizontally.

Vertical decentralisation refers to transferring power and responsibility to lower level of governments. Horizontal decentralisation eschews hierarchical control for network management based on specialisation and cooperation (Mintzberg 1980). External decentralisation refers to authority and responsibility being devolved or privatised to separate entities (Pollitt 2007).

The operating mechanism is another criterion to classify administrative decentralisation into competitive and non-competitive decentralisation (Pollitt, 2007). If authority and responsibility are allocated by the principle of responsibility such as laws and decrees, that is defined as non-competitive decentralisation. When authority and responsibility are transferred to lower level authorities by the principle of competition – for instance, compulsory competitive tendering – it is seen as competitive decentralisation (Pollitt 2007).

In summary, administrative decentralisation refers to policy-making and management authority and/or financing and delivery responsibility being transferred from higher to lower governmental, quasi-autonomous, and private actors. It is worth noting that administrative decentralisation refers to how an organisation can achieve better performance with an optimal distribution of authority and responsibility in inter and intra organisations for the best performance. In detail, *deconcentration* transfers public service delivery responsibility, *delegation* transfers limited ranges of policy-making and management authority upon public service delivery responsibility, and *devolution* transfers more extensive policy-making authority and fiscal responsibility relating to management authority and public service delivery responsibility.

Third, fiscal decentralisation, often called *fiscal federalism*, is about the optimal distribution of responsibility for tax-raising and expenditure between the central government and the lower level governments in order to maximize social welfare, which is represented by economic stability, allocative efficiency and distribution equity (Oates 1972; Schneider 2003; Treisman 2002). The gist of fiscal decentralisation is the *efficiently mapped* intergovernmental fiscal system (Wildasin 1996).

Bird (2000) presents four pillars of the intergovernmental fiscal system: subnational revenue generation and autonomy, subnational expenditure assignment and

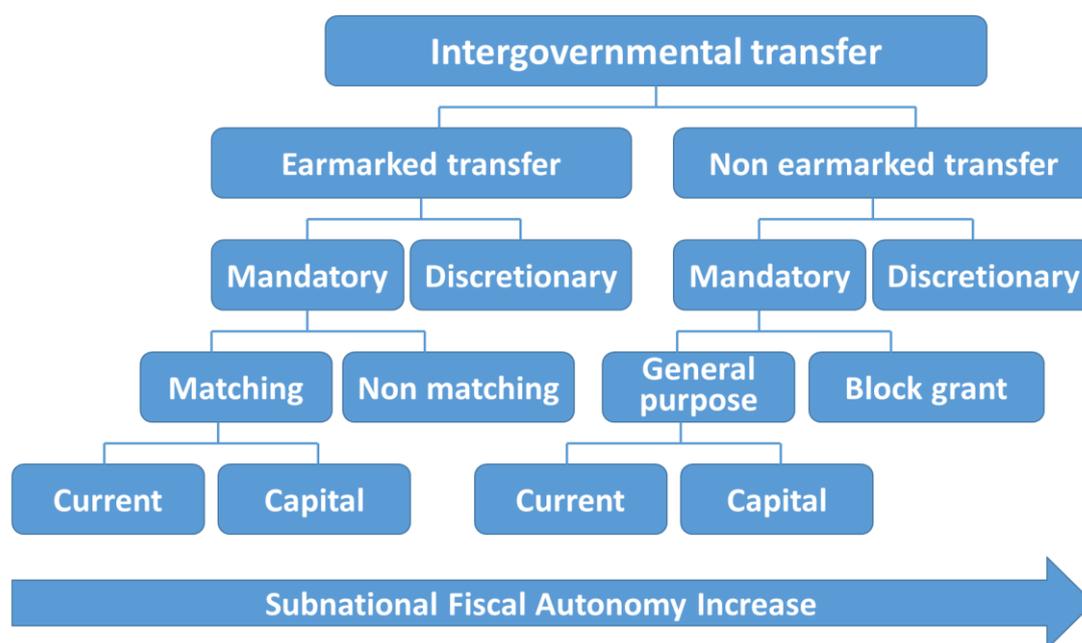
management, intergovernmental fiscal transfers, and subnational borrowing. *Subnational revenue* refers to how far subnational government have taxing authority in terms of setting rates and bases of subnational taxes. The essence of revenue decentralisation is whether subnational government has enough taxing authorities to raise fiscal resources for subnational public services delivery. Under politically decentralised governance, subnational revenue autonomy becomes more significant. Elected subnational politicians are unable to achieve the best performance in subnational public service delivery with insufficient fiscal resources. Hence, a well-designed fiscal decentralisation system is a *sine qua non* condition for successful political decentralisation (Bird 2000; Falletti 2010).

Subnational expenditure refers to the degree of authority a subnational government retains to allocate financial resources for subnational public services delivery. The gist of subnational expenditure is whether enough fiscal resources were given to subnational government for implementing deconcentrated, delegated, and devolved public service delivery (Litvack et al. 1998). Subnational politicians with enough subnational expenditure autonomy have a better chance to meet their voters' preference, and, consequently, to enhance political accountability (Schneider 2003).

Intergovernmental fiscal transfer refers to vertical and horizontal transfers of fiscal resources in order to fill the gaps between revenue authority and expenditure responsibility across subnational governments (Figure 2.1). Vertical transfers take place from national to subnational governments whilst horizontal transfers happen from subnational to another subnational government. Given that the subnational revenue authority varies across subnational governments, intergovernmental fiscal transfers play a key role in shaping types and degrees of fiscal decentralisation.

Intergovernmental fiscal transfer systems consist of three components: *distributable fiscal pool, distributive formula, and conditionality* (Bird 2000: 14-15). The distributable fiscal resource pools are created by sharing revenues and tax bases. For instance, Korea shares revenues by transferring 19.24% of national taxes to subnational governments. Japan shares the Consumption Tax bases with subnational governments. As of April 2014, the Consumption Tax (8%) in Japan is shared by national (6.3%) and subnational (1.7%) governments.

Figure 2.1 The Overview of Intergovernmental Transfers



(Source: Author designed, based on Bird, 2000; the Council of Europe, 2004)

The distributable pools are allocated by earmarked and non-earmarked transfers. *Earmarked transfers* are given to subnational governments in order to subsidise predetermined specific services. In contrast, *non-earmarked transfers* are given to subnational governments in order to fill the gaps between revenue authority and expenditure responsibility. Non-earmarked transfers are allocated to subnational governments by *de jure* predetermined *distributive formula* in many countries. *Earmarked and non-earmarked transfers* are divided into mandatory and discretionary grants. In the case of *mandatory grants*, national government have legal and statutory obligations to bestow fiscal resources when legal and statutory obligations are present. For example, the introduction of social and education services based on social rights imposes fiscal responsibility on national and subnational governments by law. *Discretionary grants* are given not by law but by ad-hoc decisions for specific infrastructural projects and emergency aid in case of natural disasters (Bergvall et al. 2006).

Earmarked mandatory grants are divided again into matching and non-matching grants. Matching grants are given to local governments with predetermined local government cost sharing; non matching grants are given to local governments without any condition for local government fiscal contribution (Bergvall et al. 2006). Matching grants are divided

into open-ended matching grants which have no limitation on central governments' matching funds and close-ended matching grants which have a certain limitation (World Bank, 2013). In many cases of mandatory grants, if not being stipulated in constitutions and laws, rule-like practices of sharing fiscal responsibility are often present. Non-earmarked mandatory transfers are divided into general grants, which have no specific purpose, and block grant, which has designated purposes (Bergvall et al. 2006). Earmarked mandatory matching grants and non-earmarked general grants are divided into current grants, for current or capital expenditure, and capital grants for capital expenditure (Bergvall et al. 2006).

Subnational borrowings refer to how freely subnational government finance fiscal resources in order to fill the gaps between revenue authority and expenditure responsibility by national government, public intermediary financial institutions, and domestic and international financial markets. Subnational debt and borrowing have advantages and drawbacks. Whilst cautious regulations are required, subnational borrowings are justified by intergenerational burden equity for long-term investment, enhancement of economic growth, and synchronisation of expenditure and revenue flows (Litvack et al. 1998). In many countries, subnational debt and borrowing are controlled by regulatory frameworks, including approvals from the national government or subnational councils, transparent standardised accounting system, and debt thresholds and penalties.

To summarise, fiscal decentralisation consists of four components: subnational revenues, subnational expenditure, intergovernmental fiscal transfers, and subnational borrowing. The technical design of fiscal decentralisation hinges on intergovernmental power relations, dominant policy paradigms of fiscal decentralisation, fiscal disparity across subnational governments, and the characteristics of policy areas. Although public choice economists strongly support that fiscal decentralisation may enhance subnational performance (Oates 1972; Wildasin 1995), possible pitfalls of decentralisation include corruption and lacking subnational capacity (Prud'homme 1995; Tanzi 1995).

Considering non-linear relations between more fiscal resources and better subnational performance, the outcomes of fiscal decentralisation do not always guarantee better decentralised governance. Nevertheless, subnational politics can have a better chance to

enhance accountability when more fiscal resources and more discretionary grants are transferred, and fewer mandatory matching grants are transferred.

Conclusion

This section overviews how decentralisation is understood in the current literature. Although a range of typologies is extant, this thesis takes Wolman's typology of decentralisation and examines the main features of political, administrative, and fiscal decentralisation. Political decentralisation refers to the transfer of decision-making authority to subnational governments and citizens. Administrative decentralisation means the transfer of policy-making authority and delivery responsibility to subnational governments and private actors. According to the degree of administrative decentralisation, the transferred authority and responsibility are classified by deconcentration, delegation, devolution, and privatisation (Rondinelli 1983). Lastly, fiscal decentralisation concerns revenue authority, expenditure assignment, intergovernmental fiscal transfers, and subnational borrowings. Building on these conceptual foundations, the driving forces of decentralisation will now be outlined.

DRIVING FORCES OF DECENTRALISATION

Decentralisation is a widespread phenomenon of the last three decades (UNDP 2002). Industrialised countries consider decentralisation as a measure to achieve small and efficient government (Pierson 1996; Tanzi 1995). Many developing countries in Asia consciously promote decentralisation as a national development strategy for ethnic and geographic diversity (Litvack et al. 1998; Smoke et al. 2006). Post-communist countries accept decentralisation as a natural process in moving command to market economy and ensuring democratisation (Ebel and Yilmaz 2003). Public pressures led the Latin American countries to decentralisation (Falleti 2010) whilst many African states implement decentralisation in order to maintain national unity in post-colonial nation building (Litvack et al. 1998).

Bearing in mind that decentralisation is not a monolithic concept and that its driving forces are closely related to the types and degrees of decentralisation, this section outlines how extant literature understands driving forces of decentralisation.

Decentralisation and Small Government: industrialised countries

During the post-war economic expansion period (1945-1973), industrialised countries achieved rapid economic growth and welfare expansion based on Keynesian economics. On the one hand, national governments intervened in the market with fiscal policies to establish full employment. On the other hand, those governments expanded the Welfare State to protect those who were negatively impacted by the industrialisation. During this so-called *Golden Age*, the role and expenditures of governments increased significantly with centralised fiscal and social regulatory governance (Pierson 1996:143).

After post-war economic prosperity ceased with the global economic recession of the 1970s, scepticism about centralised interventionist governance grew. As the centralised regulatory governance failed to handle the 1970s economic crises effectively, neoliberalism gained in popularity as a substitute for the Keynesian regulatory paradigm. This ideological transition from *big government to small government* reflected itself in economic and social policy. The neoliberal economic policy based on deregulation and privatisation facilitated the development of integrated global goods, labour, and capital market. The integrated market intensified global competition (Scharpf et al. 2000). Decentralisation was adopted by national governments who attempted to introduce *a new political structure* to respond to an intensified competition (Hudson et al., 2009). Evans and Cerny (2003) succinctly explained the impact of globalisation by developing the concept of *Competition States* which reduces the size and scope of government so as to adapt to a fierce global competition.

The public sector responds to globalisation by altering its structure through decentralisation and privatisation in order to obtain competitiveness in a globalised world. Volatile economic conditions and the failure of centralised governance facilitated the devolution of power and resources from central governments to subnational governments and the private sector (Painter, 2008). For example, the Thatcher Administration drove public sector reforms of *New Public Management (NPM)* (Saltman et al. 2007). *The Next Steps Initiative*, with extensive decentralisation (i.e. privatisation and creating executive agencies) of the British civil service, is a prototype example of applying New Public Management methods to the public sector (Sanderson, 2001).

Decentralisation and the Welfare State

In social policy, the ideological diffusion of neoliberalism opened *the Age of Retrenchment* (Tanzi 1995; Taylor-Gooby 2002). Confronting fierce pressure of welfare retrenchment, industrialised countries implemented decentralisation and privatisation as a means of streamlining big government (Pierson 1996; Saltman et al. 2007). According to Tanzi (2008), the *Welfare State*, which guarantees the national minimum level of public service delivery, has been superseded by the Competition State. Decentralisation in the Welfare State resulted in a small national government and a rather big subnational government with more discretion over human resource management, public service provision contracts, and regulation in their jurisdiction (Shah and Thompson 2004).

In many cases, decentralisation in social policy takes the forms of *unintended decentralisation and silent decentralisation* (Dubois and Fattore, 2009: 704). In China, an increasing local share in total public expenditure, and the gap between local taxing capacity and local public service demands, have pushed local authorities to operate 'off-budget' accounts which consist of user fees and fines (Painter 2008: 83). This resulted in the unintended decentralisation and privatisation of health and education services in China. This trend of unintended privatisations arising from the central government's fiscal constraint is also observed in other developing countries, including Vietnam (Painter 2008).

Decentralisation and Democratisation

Decentralisation is often regarded as a flip-side of democratisation (Ruland 2012). Over the recent years, the third wave of democratisation movements contributed to transform authoritarian central governments into democratic governance in Asia and Latin America. The grassroots democratisation movements in the 1980s led Korea, the Philippines, and Taiwan to adopt the democratic central governance with popular elections of president and legislative members (Kwon 2003; Ruland 2012). As a means to establish more democratic governance and to prevent concentration of political power, the people requested political decentralisation in these countries. As closely related to deconcentration of political power, decentralisation is often used as a measure of democratisation. Political decentralisation may be driven by grassroots democratisation

movements and used for deepening democracy. The opposition parties often exploit the issue of political decentralisation in order to stretch their political bases in subnational governments.

In a similar vein, the complex political situation in Indonesia after Suharto stepped down combined with democratisation movements resulted in political decentralisation in the late 1990s. Indonesia continued administrative and fiscal decentralisation reforms so as to transfer decision-making authority to the people, enhance accountability, and improve public service delivery in the 2000s (Kaiser et al. 2006). In Latin America, civil movements fighting for democratisation and human rights brought political decentralisation as a means of deepening democracy and to change extant political arrangements (Selee 2004).

Decentralisation as a Developmental Strategy: developing countries

Whilst decentralisation was promoted as a means to overcome government failure from economic stagnation in industrialised countries, decentralisation was taken as a developmental strategy in developing countries (Rondinelli 1983; Smoke et al. 2006). During the 1980s and 1990s, developing countries planned and implemented decentralisation reforms in order to overcome political and economic failures of centralised authoritarian administrations, to achieve economic development, and to enhance the quality of public service delivery (Litvack et al. 1998; Smoke et al. 2006).

Multilateral institutions contributed to the proliferation of decentralisation by ideological diffusion and programmatic policy transfer. The emergence and strengthening of regional governance have played an overarching role to diffuse decentralisation worldwide. The European Union (EU) is an example of how regional governance of Europeanisation has influenced decentralisation trends across Europe by diffusing the *subsidiarity principle* (Tanzi 1995; 2008; Pollitt 2007).

International organisations such as the United Nations Development Programme (UNDP), the World Bank, and the International Monetary Fund (IMF) disseminate ideas of decentralisation and good governance. In addition, decentralised governance has been spread as most of the developmental programmes funded by international organisations have been designed, or sought, decentralised governance to deliver sponsored public services (Litvack et al. 1998).

Decentralisation as an Oppositional Strategy

After the right-left ideological confrontation weakened in the late 1980s, opposition parties in democratised countries adopted decentralisation as an oppositional political agenda. In the 1980s, the French Socialist Party moved from left-wing agendas such as class struggle to decentralisation issues including *régionalisation and autogestion* (Nakano 2000). This reinvention of socialist values, from class struggle to decentralisation, provided the French Socialist Party electoral and political opportunities to establish political bedrocks in subnational government. In addition, the ideological turn from left to centre-left broadened the supporters of the French Socialist Party and brought about the French Socialist Party's victory in the 1981 presidential election. After taking office, the Mitterrand Administration implemented a grand plan of regionalisation and self-management, often called *Grande Affaire* (Nakano 2000).

In the same vein, the Japanese Socialist Party changed their main political agenda from an ideological focus to decentralisation, environmental and social issues in the 1960s (Nakano 2010). Although the Japanese Socialist Party and other opposition parties did not gain electoral fortunes by changing their political platforms to emphasize decentralisation, it is clear that decentralisation was implemented as an opposition strategy to move from the ideological cleavages of the right and left, and to establish political supports in subnational governments.

Decentralisation and balanced national development were the main opposition agenda in Korea after democratisation. The opposition parties continuously requested decentralisation as a means of democratisation in the 1980s. The policy paradigm of democratisation conduced to the implementation of political decentralisation in the 1990s by bridging opposition politicians and grassroots democratisation movements. The opposition party took the presidential office in 1998 after gaining political grounds in subnational governments following political decentralisation in the 1990s. In sum, decentralisation serves as an effective opposition strategy. On the one hand, the opposition party broadens its support by changing the party's identity from class struggle to decentralisation and participation. On the other hand, the opposition party increases its political power-bases by gaining offices in subnational elections.

Conclusion

This section overviews driving forces of decentralisation from government failures and democratisation to developmental and oppositional strategies. Although reforms have been implemented under the inclusive agenda of *decentralisation*, each reform evolved from discontent with centralised political, fiscal, and administrative governances. Notwithstanding these diverse driving forces, all decentralisation reforms shared one aim of establishing *good governance* by reshuffling power distribution, resources allocation, and rearranging administrative authority and responsibility. The final results of decentralisation may be assessed by whether decentralisation brought about good governance or not. In the next section, a framework linking the types of decentralisation and good governance is presented in order to indicate the location of this thesis in decentralisation studies.

DECENTRALISATION AND GOOD GOVERNANCE

Regardless of motivations, decentralisation has significant repercussions for subnational autonomy, the quality of public service delivery, and the public well-being (Litvack et al. 1998; Parker 1995). Hence, whether decentralisation results in good governance or not is an over-arching issue when discussing decentralisation. First, advantages and disadvantages of decentralisation are outlined. Second, Parker's (1995) theoretical framework of the types of decentralisation and the impact of decentralised governance is introduced. Finally, where the thesis is located in the decentralisation literature is examined, based on Parker's theoretical framework.

Advantage and Disadvantages of Decentralisation

The advantages and disadvantages of decentralisation are outlined. A range of literature argues that political decentralisation has an advantage of enhancing responsiveness and accountability (De Mello 2000; Dabla-Norris 2006; Pollitt 2007; Saltman et al. 2006). Political decentralisation brings popularly elected subnational politicians *closer to people*. Citizens have a better chance to share their preferences with subnational politicians, and subnational governments may provide more tailored public services (Oates 1972).

When the fiscal authority of revenue and expenditure is given, elected subnational politicians became more accountable to public service delivery in terms of cost-effectiveness and quality. In addition, subnational politicians have the administrative authority on policy-making as well as the fiscal authority about resource mobilisation and allocation, and the so-called *demand efficiency* is fulfilled (Olson 1971; Pollitt 2007; Prud'homme 1995: 207; Saltman et al. 2006).

Administrative decentralisation has the potential to improve the quality of governance. Decentralised governance shortens decision-making chains, improves the speed of decision-making, and consequently enhances the efficiency of organisations (Saltman et al. 2006; Pollitt 2007). Furthermore, the policy-making authority transferred to subnational governments encourages subnational actors to have a more entrepreneurial attitude and to be innovative (Peckham et al. 2008; Saltman and Busse 2002).

The UK implemented decentralisation of social programmes via Next Steps initiatives. Japan transferred administrative authority and responsibility concerning residential and community services for the vulnerable to local governments in 1991. Korea implemented political decentralisation as a remedy for regional economic disparity resulting from centralised governance (Kwon OS 2003; Choi and Wright 2004). Although there is criticism of administrative decentralisation with insufficient fiscal resources, the potential advantages of administrative decentralisation are enhanced responsiveness and improved quality of public services (Dabla-Norris 2006; Kwon OS 2013; Litvack et al. 1998).

Decentralisation does not always bring about positive outcomes. Although *demand efficiency* (how well subnational preferences are reflected on the public services) is considered an advantage of decentralisation, decentralisation maintains possible regional inequality (Pollitt 2007; Saltman et al. 2006; White and Smoke 2005). If subnational administrative and fiscal capacity is varied, decentralised governance inevitably brings about an uneven quality of public services regionally (Prud'homme 1995; Tanzi 1998). Empowerment and well-designed intergovernmental transfer systems are essential to reduce this adverse consequence.

Another challenge is that decentralised governance blurs national and subnational accountability as it often raises a *blame-game* amongst national and subnational

politicians (Østergren et al, 2007:232). These blame-games are often observed when fiscal responsibility and administrative authority are asymmetrically transferred. For example, fiscal responsibilities are transferred to elected subnational politicians whilst administrative authority is shared by national and subnational governments. The Norwegian national government transferred fiscal responsibility of the health care system to subnational governments whilst having administrative regulatory authority such as waiting time guarantee in order to upgrade the quality of healthcare services. As the introduction of new regulations increase subnational fiscal burdens, it also increases intergovernmental tensions. This shifting blame-game was the major driver of the 2002 recentralisation of health care in Norway (Østergren et al 2007; Pollitt 2007:13).

Decentralisation may undermine economic efficiency (Saltman et al 2007; Pollitt 2007). When the optimal level of administrative and fiscal decentralisation is not compatible with the status of political decentralisation, decentralisation brings about *supply inefficiency*. In many cases, the sum of every rational sub-national government decision generally results in sub-optimal consequence as subnational governments pursue the optimal choice within their jurisdiction.

Table 2.1 Advantages and Disadvantages of Decentralisation

	Advantages	Disadvantages
Political decentralisation	<ul style="list-style-type: none"> • Responsiveness and accountability • Demand efficiency 	<ul style="list-style-type: none"> • Regional disparity • Complex accountability • Supply inefficiency • Corruption
Administrative decentralisation	<ul style="list-style-type: none"> • Economic efficiency (improving speed of decision-making) • Better performance and innovation (entrepreneurship) • Tailored services 	<ul style="list-style-type: none"> • Stable and healthy subnational democracy as a premise • Possibility of corruption • Regional inequality resulting from uneven subnational administrative capacity
Fiscal decentralisation	<ul style="list-style-type: none"> • Demand efficiency • Fiscal accountability; local government is more accountable to taxpayers' preference • Transparency 	<ul style="list-style-type: none"> • Lack of economy of scales • Corruption and social fragmentation • Coordination problems across different tiers of the government

When subnational democracy is not advanced and subnational vested interests are strong, decentralisation possibly results in corruption and social fragmentation (Neyapti 2010). Considering the smaller distance between subnational politicians and bureaucrats or citizens, decentralised governance without proper check and balance mechanisms results in governance failures (Prud'homme 1995; Tanzi 1995). Advantages and disadvantages of Decentralisation are outlined in Table 2.1.

Parker's Framework and this Thesis

According to Parker (2005), the outcomes, results, and impacts of decentralisation reforms unfold over time. Figure 2.2 demonstrates direct outcomes of political, fiscal, and administrative decentralisation reforms in terms of accountability, capacity, and resources. The mid-term results of decentralised governance and its outcomes includes responsiveness, effectiveness, efficiency, and productivity. The long-term impacts are expected in changes of poverty alleviation, well-being, literacy, mortality, economic development, and growth of civil society.

As discussed in the previous section, extant empirical studies conclude that each decentralisation reform is neither beneficial nor harmful in establishing good governance. Instead, whether decentralised governance – which is established by a series of administrative, fiscal, and political decentralisation reforms – has *institutional incentives* to produce positive results and impacts determines the advantages and disadvantages of decentralisation (Faguet and Pöschl 2015). Considering that interactions amongst actors, interests, ideas, institutions, and domestic and international contexts are constituting decentralised governance, causal pathways from diverse driving forces and types of decentralisation reforms to outcomes, results, and impacts should be traced carefully.

Returning to the questions presented in Chapter 1, what shapes the *direction* of institutional changes? What determines the *types* of decentralisation? What determines the degree of change in subnational autonomy after decentralisation? How does subnational autonomy shape the performances of decentralised governance such as accountability and quality of public service delivery?

This thesis focuses on *the direct outcomes of decentralisation reforms* and traces causal pathways from interests, ideas, institutions, and contexts to the direct outcomes of

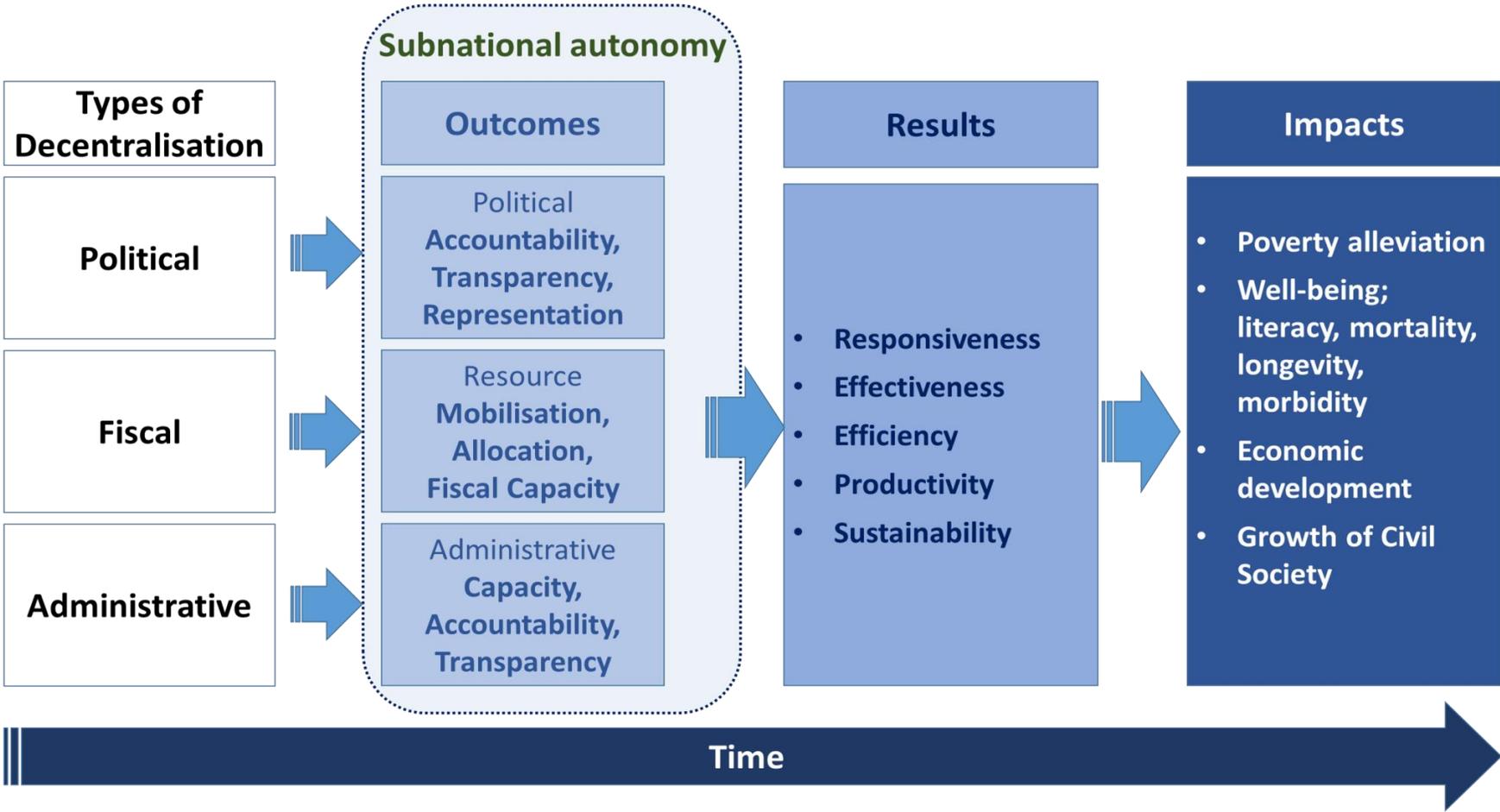
decentralisation. The first empirical task is to measure *to what extent the direct outcomes of decentralisation* are changed after one cycle of administrative, fiscal, and political decentralisation reform. Although Parker (1995) did not specify it in his framework, direct outcomes reflect changed subnational autonomy after one cycle of decentralisation reforms. Hence, measuring subnational autonomy is to establish *whether decentralisation reforms resulted in decentralised governance* and, if so, to what extent intergovernmental governance shifted from centralised to decentralised governance.

The second task is to investigate *what shapes* each decentralisation reform and what determines the *directions and degrees of* changes in subnational autonomy. An interest-based theory drawing on Falletti (2010) was used for theory-testing process-tracing in Japan and Korea to elucidate the causal forces that shape actors' preferences toward decentralisation and determine the degree of changes in subnational autonomy. Then, explaining-outcomes process tracing is implemented to trace the best sufficient explanations on the post-developmental decentralisation reforms and subnational autonomy in Japan and Korea. The last question concerns the causal pathways from direct outcomes to mid-term results and to the long-term impacts. These are left for future research.

Conclusion

This section examines decentralisation and good governance. First, advantages and disadvantages of decentralisation are outlined. Second, Parker's (1995) theoretical framework of decentralisation and its outcomes, results, and impacts over time is introduced. More broadly, this thesis investigates two empirical questions: the measurement of direct outcomes of decentralisation and the trace of causal mechanisms from ideas, interests, and institutions to direct outcomes of decentralisation. Chapter 3 outlines current theoretical discussions on institutional changes and presents a theoretical framework for empirical studies.

Figure 2.2 Parker’s Framework of Decentralisation, Outcomes, Results and Impacts



Chapter 3 Theoretical Framework

INTRODUCTION

This chapter presents the thesis' theoretical bases by outlining discussions around institutional changes and decentralisation. First, theoretical approaches are investigated to explain institutional stability and changes. As this thesis understands decentralisation as an example of institutional changes to decentralised governance, institutional approaches to explain the origins and processes of institutional changes are outlined. Second, *a sequential theory of decentralisation* (Falleti 2010) is introduced to demonstrate *causality between dominant territorial interests and subnational autonomy* on the basis of historical and comparative approaches. Finally, theoretical contributions and limitations of Falleti's theory are discussed and a revised approach to be used in empirical studies of this thesis is presented.

NEW INSTITUTIONAL APPROACHES

Amongst the large number of approaches to understanding institutional origins, stability, and changes, this thesis focuses on new institutional approaches. Although located in the umbrella of institutionalism, these four approaches take diverse attitudes about the definition of institution, assumptions of human, and causality of institutional origins and changes. This section briefly outlines four institutional approaches: rational choice, historical, sociological, and constructivist.

Rational Choice Institutionalism

In the world of rational choice institutionalism, actors shape their preferences, based on interests, and institutions function as *rules of the game* (North 1990). Rational choice institutionalists assume individuals are rational and behave upon predetermined preferences, which are not necessarily self-interested as assumed in classical rational choice theories. The individuals have diverse interests such as maximising votes, budgets, economic benefits and trust (Cook et al. 2005; Downs 1957; Levi 2009; Niskanen 1968).

Rational choice institutionalism is interested in how institutions constrain the choices, interactions, and pay-offs of actors (Weingast 2002). The first stream recognises institutions as *exogenously given constraints* and focuses on the interaction of individuals and given institution as rules of the game. Hence, studies of the first stream explain the causal power of institutions to individuals' choices, beliefs, and payoffs (Levi 2009; Shepsle 2006; Weingast 2002). A theoretical framework of how constitutional devices - such as a strong presidential system, a strong legislative system, and presidential and legislative vetoes - function as rules of games to shape diverse individuals' choices and payoffs is developed (Weingast 2002: 662-666).

Another stream probes for answers why institutions are constituted, have stability, and change (North 1990; Weingast 2002). Institutions are not exogenously given rules of the game anymore, instead, endogenously shaping outcomes of bargaining, strategic interaction and transactions amongst actors and institutions (Levi 2009; Weingast 2002). Concerning the origins of institutions, arguably the most powerful explanation is that institutions are incentive designs to eliminate uncertainty and prevent socially suboptimal outcomes derived from individuals' rational actions. This idea is well-encapsulated in *the Prisoner's Dilemma* (Axelrod 1984; Milgrom et al. 1990), *the Theory of Collective Action* (Olson 1965; Hardin 1982; Ostrom 1990), *the Transaction Cost Theory* (Williamson 1985), and *the Principal and Agency Theory* (Ross 1973).

Rational choice institutionalism explains institutional stability and changes by equilibrium amongst actors' preferences (Eriksson 2011). Institutions are stable as long as actors' preferences and relative power remains similar. When external shocks such as financial and political crises and internal changes such as individual and collective learning take place, the institution is likely to change as actors' preferences and their power distribution change (Hecl 1974). In addition to this interest-based explanation, Weingast (2002) argues that an ideological change of political moderates plays a pivotal role in institutional changes. He argues that the Boston Tea Party was a critical juncture to change prevailing ideas of lay people from waiting and seeing to joining the American Independence Movement (Weingast 2002).

Rational choice institutionalism offers theoretical and methodological advantages to investigate institutional origins, stability and changes (North 1990; Weingast 2002). It provides *micro-foundations* to investigate institutional constraints and actors' strategic

interactions (Lichbach 2009: 65; Levi 2009: 122, 127). Models presented by rational choice institutionalism offer clear predictions about individuals' choices, beliefs, and payoffs. Hence, rational choice institutionalism provides practical insights when institutions are designed in order to mitigate collective action problems (Lichbach 2009).

In contrast, rational choice institutionalism has several drawbacks. Theories and models built on individuals' interactions have limitations in explaining institutional origins and changes observed at meso and macro levels (Levi 2009). Alongside this weakness from *methodological individualism*, individuals' preferences are not always captured clearly in political scenes as rational choice institutionalists generally assume. In many cases, individuals' preferences are biased as individuals can experience constraints of available economic resources and individual choice can be constrained by contextual factors (Levi 2009: 128).

Rational choice institutionalism has been criticised as it focuses more on establishing normative frameworks rather than empirical studies. In many cases, equilibrium is absent or inefficient although rational choice institutionalism focuses on equilibrium and its conditions (Arrow 1951; Hardin 1982; Ostrom 1990). In the same vein, the analytical foci are generally on the static outcomes of actors' interactions rather than the dynamic process of institutional origins and evolutions (Levi 2009). In spite of the recent methodological advances such as *the Analytic Narrative* (Bates et al. 1998), rational choice institutionalism has methodological weakness in capturing dynamic processes.

Power, one of the most important concepts in political science, is often absent in rational choice institutionalism (Levi 2009). Although some research highlights bargaining and hierarchical power (Greif 2006; Levi 2009), rational choice institutionalism mainly addresses the issue of preferences, negotiation, payoffs, and equilibrium rather than power. Considering that unequal initial endowment of power is often reflected in generated institutions and changed institutions, the absence of power in analytical frameworks is a significant drawback of rational choice institutionalism.

Lastly, rational choice institutionalism privileges agency and materiality rather than structure and ideas (Hindmoor 2010; Marsh 2010). Although rational choice institutionalism acknowledges the dominant power of given institutions as structure, actors' preferences are the most important factor of institutional origins and changes. In

the same vein, although *a theoretically informed empirical investigation* is developed based on bounded rationality, the role of emotions, networking, and learning (Huckfeldt 2009; Levi 2009: 117), rational choice institutionalism underscores the role of material incentives in institutional genesis and changes than ideational factors.

Historical Institutionalism

Historical institutionalism investigates why and how institutions are originated and changed (Katznelson 2009; Mahoney and Thelen 2010; Pierson and Skocpol 2002; Steinmo 2008). Historical institutionalism defines institutions as *a set of regularised practices* (Hall and Thelen 2006) and understands that institutions are basically constituted by the logic of path-dependence. Historical institutionalism explains institutional origins, stability, and changes with the punctuated equilibrium model and the power distributional model.

The punctuated equilibrium model understands that institutions have a stable existence and institutional changes are usually triggered by forceful external factors such as fiscal crisis or a significant decision of politically important figures (Collier and Collier 2002; Mahoney and Thelen 2010; Pierson 2004; Pierson and Skocpol 2002). Historical institutionalism explains institutional stability with *path dependence* and institutional changes with *critical junctures*. *Path dependence* refers to early events constraining actors' options for following events as the early event has *increasing returns* or *self-reinforcing mechanisms* to narrow options in following events (Mahoney 2000; Pierson 2000; 2004). *A critical juncture* is a situation in which structural (i.e. economic, cultural, ideological, and organisational) influences on political action are significantly relaxed and the range of plausible choices open to powerful political actors (Capoccia and Kelemen 2007:343).

Beland and Hacker (2004) demonstrate the divergent development processes of the private centred health insurance and the public centred old-age insurance in the US. The two systems were promoted by the American Association for Labor Legislation (AALL), the health insurance took the private pillar and the old-age insurance took the public pillar. The old-age pension system which was introduced as a part of the New Deal plans developed as a public insurance system. In contrast, the health care issue was not included in the New Deal plans and developed as private insurance schemes. The initial choices of the public pillar of the old-age insurance and the private pillar of the health

care insurance had self-reinforcing power to develop the uneven Welfare State of the public-centred pension insurance and the private centred health care insurance respectively.

Contrary to the punctuated equilibrium model which understands institutional changes start from external shocks, *the power distributional perspective* argues institutional changes take place not only by external shocks but also endogenous political contestations (Mahoney and Thelen 2010: 10; Streeck and Thelen 2005). Hacker (2004) presented *hidden politics of welfare retrenchment* in the US as an example of endogenous and gradual institutional changes with no significant external crisis. Academics in this stream offer a well-designed framework to investigate endogenous factors and modes of gradual institutional changes. According to low/high levels of policy discretion and low/high levels of veto power, endogenously driven institutional changes takes four modes of drift, conversion, layering, and conversion (Hacker 2004; Streeck and Thelen 2005).

Historical institutionalism has analytical advantages to understanding institutional origins, stability, and changes (Pierson and Skocpol 2002; Steinmo 2008). First, historical institutionalism focuses on the real world empirical questions rather than normative discussions. Historical institutionalism is interested in addressing substantial questions including the development of the Welfare State or democracy beyond the correlation analysis of quantitative variables and the analysis of actors' strategic behaviours (Immergut 1992; Pierson and Skocpol 2002; Steinmo 2008). In particular, historical institutionalism actively considers contextual factors (Mahoney and Thelen 2015). Studies about welfare states regimes illuminates how multiple institutions such as social service funding system and labour market institutions interplay in the real world (Esping-Andersen 1990). *The institutional complementarities* are why *forest as well as trees* should be considered together in research (Hall and Soskice 2001; Pierson and Skocpol 2002; Pierson 2004).

Second, historical institutionalism takes time, sequence, and history seriously as main contents and methods (Mahoney and Thelen 2015). Compared to cross-sectional approaches to explaining causality by several selected variables, historical institutionalism offers more valid causal explanations about institutional genesis and development by taking long-term periods into consideration. In many cases, the shortened time frame

fails to capture variables which are changing in relatively longer periods because the variables are typically taken as fixed variables in functional approaches. Given social processes in the real world unfold slowly and incrementally during a long-term period, ahistorical and short period investigation has a risk of capturing only short-term triggering events or missing fundamental factors to bring about institutional changes (Pierson and Skocpol 2002).

Pierson (2004: 82, 83) argues the importance of historical approaches in explicating causality with the notions of *cumulative causes and threshold effects*. Huber and Stephens (2001) demonstrate the causality from the repetitive electoral successes of the social democratic party in Scandinavian countries to the change of Welfare Regime. Although a sole electoral success has little impact on the welfare regime changes, a repetitive electoral success of the social democratic party gradually moved each party's platform to reflect voters' preferences.

Third, historical institutionalism provides the theoretical framework to accommodate salient concepts to capture real world problems. Crucially, unlike rational choice approaches (Moe 2005; Levi 2009), historical institutionalism accommodates power, the central idea of political science, into their analytical framework. In the world of historical institutionalism, institutional origins and changes are *historical processes of creating and developing distributional instruments* which inevitably reflect power relations amongst actors with uneven initial resource endowment (Mahoney and Thelen 2010:8; Thelen 1999: 383). In particular, historical institutionalists focus on initial endowment of power and sequences and processes which have self-reinforcing and reactive causality (Pierson and Skocpol 2002).

In addition, historical institutionalism considers ideational and structural factors seriously as factors to create actors' preferences, individual and collective actions, and consequently, institutional origins and changes (Falleti 2010; Marsh 2010). Contrary to rational choice institutionalism which considers actor's preferences as externally given, historical institutionalism recognises causal power of ideational and structural factors to shape and constrain individuals' choices, collective actions, consequently, creating and evolving institutions (Lieberman 2002; Pierson 2004).

In spite of these analytical advantages, historical institutionalism also has its critics. First, historical institutionalism has methodological limitations of limited generalisation because of its small-n comparison case studies (Schmidt 2006). Due to this lack of generalizability, historical institutionalism is criticised for explaining at best the associations between variables rather than scientific causal mechanisms (Geddes 1990; King, Keohane, and Verba 1994).

Second, historical institutionalism offers partial insights about why institutional origins and changes although offering a detailed picture about what happened during institutional origins and changes (Schmidt 2008). Falleti (2010) argues prevailing territorial interest shapes the first type of decentralisation reform which has reinforcing and reactive causal power to the next type of decentralisation reform. Consequently, the sequence of decentralisation reforms determines the degree of changes in subnational autonomy after decentralisation.

Because it considers structure, territorial position and interests, as motivations of institutional changes, Falleti's approach has rather deterministic conclusions with little explanatory power about divergent outcomes under similar structure (Schmidt 2006). In contrast, Faguet and Pöschl (2015) draw attention to political motivations behind decentralisation reforms to shape decentralised institutions. In considering agency, as actors' political motivations, Faguet can expand the explanatory power of his analysis to divergent outcomes under similar structure.

Sociological Institutionalism

Sociological institutionalists understand institutions as neither a consequence of rational individuals' strategic behaviour nor a deterministic result of power contestations amongst actors' with uneven political resources. Sociological institutionalism copes with the same issues by focusing on culturally contextualised actors' legitimacy-seeking behaviours in order to comply with social norms and conventions. In the world of sociological institutionalism, actors behave based on the cognitive and normative factors which constitute *the logic of appropriateness* (March and Olsen 2006: 689). Institutions are socially constructed, embedded, and shared *cultural practices* (Meyer and Rowen 1991; Thelen 1999).

Sociological institutionalism underscores the power of *culture* embedded in society when institutions start and change. Although sociological institutionalism developed as a tool to explain institutional diffusion across organisations, it is useful to explain policy transfers across countries (Miller and Banaszak-Holl 2005). Sociological institutionalists claim the spread of bureaucratic structure in modern society is not because it is efficient but because of its prevalence as an organisation structure in other organisations (Hall and Taylor 1996). Sociological institutionalists named this process as *institutional isomorphism* including mimetic, normative, and coercive isomorphism (DiMaggio and Powel 1991: 147). Institutional isomorphism takes place when policymakers seek a satisfactory alternative with bounded rationality or political actors seek appropriate legitimacy with myopic sight (Miller and Banaszak-Holl 2005).

Sociological institutionalists are inclined to place structure over agency by highlighting socially constructed individual cognition. At the same time, sociological institutionalism opens the possibility whereby individuals also affect institutions as one of the sources formulating cultural and moral templates (Hay 2006). Concerning ideas and materiality, ideas such as norms, social conventions and cognitive frames are at the centre of the sociological institutionalism discussion (Schmidt 2006).

Sociological institutionalism offers advantages in studies of institutional origins and developments. First, sociological institutionalism considers both the ideational and the material in a notion of *Culture* which constitutes on the basis of material interests, cognitive legitimacy, and unconscious everyday ritual activity (Kertzer 1988). Moreover, more attention is given to social processes of institutionalising norms and cultural practices and the role of ideas in institutionalising cultural practices and conventions (Schmidt 2006). Hence, sociological institutionalism maintains explanatory power about dynamics of institutional change whilst the rival rational choice institutionalism is rather static and pays less attention to institutional change.

Sociological institutionalism is often criticised as the analysis is a description or explanation about one culture rather than generally applicable parsimonious causal explanations across cultures (Schmitt 2006). As rational choice and historical institutionalism are criticised as economically and historically deterministic, sociological institutionalism contains culturally deterministic characteristics. In addition, although the ideational is an important part, sociological institutionalism often underplays the role of

agency in constructing and changing institutions including norms, cultural conventions, and practices (Hall and Taylor 1996; Schmidt 2006). Lastly, sociological institutionalism has limited explanatory power to explain institutional changes taking unprecedented alternatives such as the emergence of the European monetary integration (Blyth 2003; McNamara 1998). Sociological institutionalism offers less explanation about institutional origins and fundamental changes as *institutional isomorphism and diffusion* limited to explaining institutional changes toward convergence rather than divergence (Miller and Banaszak-Holl 2005).

Constructivist Institutionalism

Constructivist institutionalism starts with questioning explanatory power of interest-based rational choice and institutional legacy-focused historical approaches (Beland 2007; Blyth 2003; Hay 2006). Constructivist institutionalism focuses on the power of ideas and discourses in institutional origins and changes. In the world of constructivism, actors behave strategically and culturally in the discursive processes of shaping institutions of *a codified system of ideas*.

The most powerful advantage of constructivist institutionalism is that it underscores the role of ideas in explaining institutional origins and developments (Blyth 2003; Campbell 2004; Hay 2006; Parsons 2010; Schmidt 2006). Whilst rational choice and historical institutionalisms consider that actors' preferences and choices are determined by incentive designs and institutional evolution paths, constructivist institutionalism considers individual preferences are not structurally given but formed upon their ideational orientation (Hay, 2006). Hence, in the world of constructivist institutionalism, ideas have causal effect and are the main forces to bring about institutional origins and changes (Blyth 2003; Hay 2006).

Constructivist institutionalism gives attention to the dialectical processes between individual ideas of *cognitive filters* and *social norms* in institutional origins and changes (Hay 2006: 64; Marsh 2010; Parsons 2010: 80). Rational choice institutionalism regards ideas as predetermined actors' preferences and ideological weapon to win political battles and historical institutionalism rarely mentions ideas. In constructivist institutionalism, ideas have causal power to shape institutions as *a new codified system of ideas* by intersubjective processes (Blyth 2003). The intersubjective processes of *an idea*

becoming social norms and culture through individuals' cognitive filters invest ideas with a powerful status in institutional origins and change (Blyth 2003).

In the same vein, the dialectical feature of constructivist institutionalism gives advantage to accommodate the ideational and the material simultaneously in its theories.

Constructivist institutionalism often investigates the interaction between ideas and materials at the point of (economic and political) crises and the results of institutional changes (Blyth 2003; McNamara 1998). Instead of insisting that the ideational have privileges over the material or vice versa, constructivist institutionalism focuses on the interactions between individuals' ideas and materially given structure (Blyth 2003; Hay 2006). In addition, constructivist institutionalism focuses on the interaction between ideas including programs, frames, paradigms, and public sentiments mobilised by actors and institutions, and vice versa (Campbell 2004).

Lastly, constructivist institutionalism focuses on *capturing, describing and interrogating institutional changes* instead of institutional equilibrium (Blyth 2003; Hay 2006). Other institutionalisms mainly investigate institutional equilibrium with the notions of instrumental calculation, the path dependency, and diffusion of institutional templates (Hay 2006; Schmidt 2006). In contrast, constructivist institutionalism sheds light on the dynamics of institutional disequilibrium such as intersubjective processes between individuals' cognitive filters and existing social norms and cultures as constraining and facilitating institutional change by interacting with existing norms and cultures (Blyth 2003; Campbell 2004; Hay 2006).

As a counter to its contributions, constructivist institutionalism has not yet reached fully-fledged theoretical maturity (Hay 2006). The arguments presented by constructivist institutionalism have less generalizability in spite of well-developing nuanced and contextualised advantages (Blyth 2003). In addition, constructivist institutionalism does not clearly demonstrate where ideas come from although ideas are key concepts to develop constructivist institutional arguments (Hay 2006). Lastly, constructivist institutionalism offers little explanation for the internal dynamics of institutional origins, stability, and changes. For instance, how political and economic crises become to serve as focal points of contestations amongst individuals' ideas of cognitive filters and between the ideational and the material (Blyth 2003; Hay 2006: 69, 71). How new institutional approaches understand institutions is outlined in Table 3.1.

Table 3.1 New Institutional Approaches

	Rational choice institutionalism	Historical institutionalism	Sociological institutionalism	Constructivist institutionalism
Definition of institution	<ul style="list-style-type: none"> • The <i>rules</i> of the game (North, 1990) • Humanly devised constraints on action 	<ul style="list-style-type: none"> • Sets of regularised <i>practices</i> with rule-like quality (Hall and Thelen, 2006) 	<ul style="list-style-type: none"> • Cultural conventions, norms • Symbols, moral templates (Campbell, 1995) 	<ul style="list-style-type: none"> • <i>Codified system of ideas</i> • Constraints of ideas • Constructing agents of ideas
Assumption of actors	<ul style="list-style-type: none"> • Calculus • A logic of efficiency 	<ul style="list-style-type: none"> • A logic of path dependence 	<ul style="list-style-type: none"> • Seeking legitimacy, • A logic of legitimacy 	<ul style="list-style-type: none"> • Strategic and culturally
Key terms	<ul style="list-style-type: none"> • (Bounded) rationality • Equilibrium, disequilibrium 	<ul style="list-style-type: none"> • Path dependence • Sequence and timing • Critical juncture • Unintended consequence • Strategic actions 	<ul style="list-style-type: none"> • Institutional templates • Cultural diffusion • Institutional isomorphism • Cultural embeddedness 	<ul style="list-style-type: none"> • Discursive construction • The causal power of the ideational
Methodological approach	<ul style="list-style-type: none"> • Methodological individualism • Deductive 	<ul style="list-style-type: none"> • Functionalism • Structuralism 	<ul style="list-style-type: none"> • Inductive 	<ul style="list-style-type: none"> • Deductive • inductive
Agency / Structure / Culture	<ul style="list-style-type: none"> • Agency 	<ul style="list-style-type: none"> • Structure 	<ul style="list-style-type: none"> • Culture 	<ul style="list-style-type: none"> • Agency, structure, culture (intersubjective)
Idea / Material	<ul style="list-style-type: none"> • Material 	<ul style="list-style-type: none"> • Material 	<ul style="list-style-type: none"> • Idea 	<ul style="list-style-type: none"> • Idea
The motivation of origins and change	<ul style="list-style-type: none"> • Interests 	<ul style="list-style-type: none"> • External shocks • Changed power distribution 	<ul style="list-style-type: none"> • Appropriateness 	<ul style="list-style-type: none"> • Inter-subjectiveness
Strong points	<ul style="list-style-type: none"> • Parsimonious theory (generalizability) 	<ul style="list-style-type: none"> • Taking history, sequence and timing seriously 	<ul style="list-style-type: none"> • Taking norms seriously 	<ul style="list-style-type: none"> • Accommodating ideas and materials in theory
Weaknesses	<ul style="list-style-type: none"> • Economically deterministic • Lack of explanatory power about the real world • Little attention to power 	<ul style="list-style-type: none"> • Less universalistic in generalisation • More like “mid-range” theory-building • Historically deterministic 	<ul style="list-style-type: none"> • Culturally deterministic • Static and vulnerable to analyse institutional change 	<ul style="list-style-type: none"> • The origin of ideas is unclear • Little explanation about dynamics of institutional changes

(Source: adopted and developed from Hay (2008))

Conclusion

New institutional approaches of rational choice, historical, sociological, and constructivist institutionalism are outlined in this section. Although having a shared interest in origins, stability, and changes of institutions, new institutional approaches have diverse understanding about the nature of human agency, the definition of institutions, the causal power of the material and the ideational, and the relation of agency and structure. Rational choice institutionalism understands human agency as an economic existence and institutions as rules of games. The main research areas of rational choice institutionalism are strategic human behaviours under predetermined rules of games and institutional equilibrium based on the micro-level analysis on material interests, payoffs, and actors' preferences (Blyth 2006; Weingast 2002).

Historical institutionalism understands institutions *as a historically constructed set of constraints and opportunities* and focuses on historical evolutionary paths of institutions (Beland 2007: 21). Although recently presenting theoretical and methodological innovations that expound institutional changes with causal concepts of layering, drift, and conversion (Hacker and Thelen 2015; Streeck and Thelen 2005), historical institutionalism mainly focuses on historically developed persisting policy legacies and the institutional inertia (Pierson 1994). Hence, historical institutionalism lacks substantial explanations on what factors influence the directions and degrees of institutional changes (Beland 2007).

Sociological institutionalism understands human as a seeker of legitimacy and institutions as social norms and practices. The main interests of historical institutionalism are to explain institutional inertia and changes by using sociological diffusion processes and the logic of appropriateness. Sociological institutionalism has the theoretical advantage of setting ideational factors at the centre of sociological institutionalism. At the same time, human agency often underplays than socially constructed structure including social norms and practices.

Constructivist institutionalism understands human agency as a strategic and cultural existence and institutions as a codified system of ideas. Contrary to aforementioned three institutionalisms, constructive institutionalism underscores the role of ideas and agency in institutional changes. Institutional changes take place through the intersubjective processes amongst ideas between Individuals with cognitive filters and structure with social norms as well as the dialectical processes between the ideational and the material.

In spite of theoretical and methodological contributions, constructivist institutionalism is criticised for a lack of theoretical maturity.

A SEQUENTIAL THEORY OF DECENTRALISATION

The consequences of decentralisation are deeply contested within social science. Whilst academics in politics have been interested in decentralisation and local autonomy and accountability, economists have explored the relation between decentralisation and economic development (Rodden 2000; Treisman 2002; Weingast 1995; Wibbels 2000). Scholars of public administration and development have investigated decentralisation and the quality of public services in terms of allocative efficiency (Barankay and Lockwood 2007; Oates 1972; Tiebout 1956). Despite longstanding differences around decentralisation, academics seem to agree that decentralisation increases subnational autonomy and discussed diverse outcomes of democratic accountability, economic growth, and the quality of public services delivery (Falleti 2010).

From a historical institutional standpoint in political science, Falleti (2010) introduces *a sequential theory of decentralisation* about decentralisation and subnational autonomy. The theory understands decentralisation as having administrative, fiscal, and political dimensions. As the dominant territorial interest shapes the first type of decentralisation and self-reinforcing causal power, the unfolding sequence of decentralisation is a key factor to decide subnational autonomy after decentralisation. She corroborates the empirical effectiveness of this theory with four case studies in Latin America. In a nutshell, *a sequential theory of decentralisation* (Falleti 2010) traced *causality between dominant territorial interests and subnational autonomy* on the basis of historical and comparative approaches.

A sequential theory of decentralisation challenges the implicitly shared assumption of previous decentralisation studies: decentralisation always increases subnational autonomy (Falleti 2010). Furthermore, she demonstrates that subnational autonomy after decentralisation hinges not on the internal party system (Riker 1964), or federal and unitary government systems in constitutions (Dahl 1986). Instead, subnational autonomy after decentralisation is highly dependent on the dominant territorial interests and the unfolding processes of decentralisation (Falleti 2010). Building blocks, theoretical

assumptions, technical issues, and contributions and limitations of a sequential theory of decentralisation is overviewed.

Building Blocks of a Sequential Theory of Decentralisation

This section introduces building blocks of *a sequential theory of decentralisation*: types of decentralisation, political actors and their interests, actors' preferences toward decentralisation, and decentralisation coalitions and territorial interests.

First, decentralisation is defined as *an administrative, fiscal, or political process, as the set of policies, electoral reforms or constitutional reforms that transfer responsibilities, resources or authority from higher to lower levels of government* (Falleti 2010:34).

Decentralisation consists of administrative, fiscal, and political processes.

Administrative decentralisation refers to the transfer of public service provision tasks, for instance, education, health and social service, to subnational governments.

Administrative decentralisation can be funded or unfunded decentralisation depending on whether it coincides with the transfer of related costs. Unfunded administrative decentralisation may erode subnational autonomy whilst funded administrative decentralisation may increase subnational autonomy.

Fiscal decentralisation is devolution of revenue thereby increasing authority or fiscal authority to subnational governments. Theoretically, three types of fiscal decentralisation can be observed: the enlargement of intergovernmental transfer for general purpose; the introduction to new subnational tax in order to increase subnational governments' revenues; the delegation of taxing authority over the tax base and rates from national to subnational governments. Fiscal decentralisation has either a positive and negative influence on subnational autonomy. For instance, a large volume of intergovernmental transfers by pre-determined formula invariably increases subnational autonomy. However, the devolution of taxing authority to subnational governments without proper administrative capacity to collect tax can undermine subnational autonomy.

Political decentralisation includes electoral and constitutional reforms in order to devolve authority to subnational actors and to open new spaces for subnational representation. Establishment of subnational legislative assemblies and constitutional reforms to grant more authority to subnational governments are an example of political decentralisation.

Unlike administrative and fiscal decentralisation, political decentralisation always increases subnational autonomy.

Second, political and societal actors and their interests are identified. Political actors are national executive and legislative bodies as well as governors, mayors, and subnational council members in intermediate and local governments. Societal actors include trade unions such teacher trade unions, social worker unions, subnational associations, academics, and journalists.

Falleti (2010) identified that actors have partisan and territorial interests. Partisan interests refer to the actors' ideological identity and are simply categorised into *the ruling interest and the opposition interests*. Territorial interests are the levels of government to which actors belong. Territorial interests are divided into national-subnational or national-intermediate-local interests. Political actors have *partisan and territorial interests* based on which party and level of government they belong to.

Third, Falleti (2010) identified that actors shape preferences toward decentralisation based on partisan and territorial interests which they own. In general, actors with ruling partisan interests are reluctant to support decentralisation. If they have to implement decentralisation, they prefer decentralisation that is unfavourable to subnational levels such as unfunded administrative decentralisation. In contrast, opposition partisan actors favour decentralisation, in particular, political and fiscal decentralisation, in order to weaken the ruling partisan interests.

On the other hand, actors have different preferences based on their territorial interests. National executives favour administrative decentralisation (A) over fiscal (F) and political decentralisation (P). The rationale of this preference order (A > F > P) is that national government primarily tries to diminish responsibilities related to expenditures when encountering the need of decentralisation. Then, if national government has to decentralise either fiscal or political authority, national government prefers fiscal decentralisation to political decentralisation. As long as it is appointing subnational executives, national government can influence the allocation of fiscal resources in subnational government.

Subnational actors have the exact mirror-image of preferences. Subnational executives prefer political decentralisation (P) over administrative (A) and fiscal (F) decentralisation.

The rationale of this preference order ($P > F > A$) is that subnational executives favours political decentralisation in order to be free from national retaliation when national and subnational interests are in conflict. In addition, increased subnational power after political decentralisation may have reinforcing power to fiscal decentralisation (Garman et al., 2001). However, subnational actors avoid administrative decentralisation which may bring expenditure responsibility to subnational government.

Fourth, political actors in Falletti's theory are bargaining and coalescing during decentralisation. Based on possible combinations of making a decentralisation coalition amongst national ruling actors, national opposition actors, subnational ruling actors, and subnational opposition actors, six decentralisation coalitions are conceived. The first coalition is *a ruling coalition* between ruling actors in national and subnational governments. The second coalition is *an opposition coalition* between opposition actors in national and subnational governments. The third coalition is *a national coalition* between ruling and opposition actors in national government. The fourth coalition is *a subnational coalition* between ruling and opposition actors in subnational government. The fifth coalition is *a NR-SO mixed coalition* between national ruling and subnational opposition actors. The sixth coalition is *a NO-SR mixed coalition* between national opposition and subnational ruling actors.

As political actors have both partisan and territorial interests, *more salient interests* for each actor are reflected in decentralisation coalitions. When actors set priority on their partisan interests rather than territorial interests, *a ruling coalition or an opposition coalition* is made prior to decentralisation. When actors privilege their territorial interests over partisan interests, *a national coalition or a subnational coalition* is made prior to decentralisation. When national opposition actors and subnational ruling actors set priority on partisan interests and territorial interests respectively, an NO-SR mixed coalition is made prior to decentralisation. In reality, a NO-SR mixed coalition is rarely present as there is little possibility for subnational ruling actors to yield political rewards.

Fifth, each decentralisation coalition reflects prevailing territorial interests. National territorial interests are dominant when a ruling coalition and a national coalition are made prior to the first type of decentralisation. Subnational territorial interests are dominant when an opposition coalition, a subnational coalition, and a NO-SR mixed coalition are made prior to the first type of decentralisation.

The types of coalitions, expected prevailing territorial interests, and expected actors' decentralisation preferences are outlined in Table 3.2.

Table 3.2 Types of Coalition, Prevailing Territorial Interests, and the Sequence of Decentralisation

Type of Coalition	Expected Prevailing Territorial Interests	Expected Decentralisation preferences
National-level coalition	National	A > F > P
Subnational coalition	Subnational	P > F > A
Ruling coalition	National	A > F > P
Opposing Coalition	Subnational	P > F > A
Mixed Coalition NR-SO	Subnational	P > F > A
Mixed Coalition SR-NO	N/A	N/A

(Note) A - administrative decentralisation, F - fiscal decentralisation, P - political decentralisation, N/A - not applicable

(Source: Adapted and developed from Falleti (2010))

The Sequence of Decentralisation and Subnational Autonomy

Falleti (2010) deduces the sequences of decentralisation from prevailing territorial interests and actors' preferences toward decentralisation. Furthermore, she argues each sequence of decentralisation has a self-reinforcing or reactive mechanism to changes of subnational autonomy. This section is following her deduction from prevailing territorial interests, the sequence of decentralisation, and reinforcing and reactive mechanisms to subnational autonomy.

First, the sequences of decentralisation are deducted from prevailing territorial interests to actors' preferences toward decentralisation. In decentralisation negotiations, two types of territorial interests in national and subnational government are conceivable. Once a type of decentralisation started, the first type of decentralisation has a reinforcing mechanism to increase dominant territorial interests.

If national interests are prevailing prior to decentralisation, national government have advantages in decentralisation negotiations and may push administrative decentralisation as the first type of decentralisation. Once administrative decentralisation takes place as the first type of decentralisation, national government gain more advantages in the next round of decentralisation negotiations. In other words, the first type of decentralisation

has a self-reinforcing mechanism to increase national power vis-à-vis subnational government. Hence, the whole sequence of decentralisation unfolds according to national actors' preference toward decentralisation unless exogenous events - such as democratisation which changes intergovernmental balance of power - take place. In sum, decentralisation with dominant national interests unfolds in sequence of administrative-fiscal-political decentralisation.

In contrast, if subnational interests are prevailing prior to decentralisation, subnational government have advantages in decentralisation negotiations and may push political decentralisation as the first type of decentralisation. Once political decentralisation takes place as the first type of decentralisation, subnational government gain more advantages in the next round of decentralisation negotiation. In other words, the first type of decentralisation has a self-reinforcing mechanism to increase subnational power vis-à-vis national government. Hence, the whole sequence of decentralisation is unfolded according to subnational actors' preference toward decentralisation unless exogenous factors - such as an economic crisis which change intergovernmental balance of power - take place. In sum, decentralisation with dominant subnational interests unfolds in sequence of political-fiscal-administrative decentralisation.

Lastly, if national and subnational interests are tied prior to decentralisation, fiscal decentralisation is implemented as the first type of decentralisation. According to the contents of decentralisation negotiations, the first type of fiscal decentralisation has either reinforcing power to increase subnational interests or reactive power to decrease subnational interests. Hence, the whole sequence of decentralisation unfolds according to the preference of the winner in the first type of fiscal decentralisation unless exogenous factors - such as an economic crisis or democratisation which change intergovernmental balance of power - take place. In sum, the sequence of decentralisation is highly dependent on the contents of the first type of fiscal decentralisation.

Second, the changes of subnational autonomy are deducted from the sequence of decentralisation reforms. The decentralisation processes consist of three types of political, administrative and fiscal authorities (Skowronek 1993). From three layers of decentralisation, *six different sequences* are conceivable. In each case, the first type of

decentralisation generates *policy ratchet effects* which function as self-reinforcing or reactive forces to facilitate other types of decentralisation (Pierson 1995; Falletti 2010: 54).

The first example is where subnational interests prevail over national interests during the first type of decentralisation negotiations. In this case, subnational actors are likely to push *political decentralisation* as the first type of decentralisation. The completed political decentralisation grants subnational actors more power to direct following reforms favouring themselves. In many cases, subnational actors develop their political power by formulating interests' groups such as associations of mayors and governors once politically decentralised. The whole processes of developing subnationally favourable political and societal contexts are captured as *a self-reinforcing mechanism* (Falletti 2010: 55).

Hence, subnational government push fiscal decentralisation as the second type of reforms by using their advantageous positions. Responding to the former fiscal decentralisation, there is high possibility to implement administrative decentralisation. In this case, subnational government with reinforced interests might demand administrative decentralisation with fiscal resources. In a nutshell, prevailing subnational interests with reinforcing mechanisms have the sequence of political (P) - fiscal (F) - administrative (A) decentralisation which results in a high degree of change in subnational autonomy.

The second example is a variation of the first example with exogenous events. If an economic crisis takes place after the first type of political decentralisation, subnationally favourable political and social contexts are not developed. The first type of political decentralisation rarely has a reinforcing mechanism to subnational interests. Instead, the economic crisis has *a reactive mechanism* to subnational interests. In this case, national actors under nationally favourable contexts promote administrative decentralisation without fiscal transfers as the second type of decentralisation. Lastly, fiscal decentralisation is followed. In a nutshell, prevailing subnational interests with reactive mechanisms have the sequence of political (P) - administrative (A) - fiscal (F) decentralisation which results in a low/medium degree of change in subnational autonomy.

The third example is national interests prevail over the subnational interest during the first type of decentralisation negotiations. In this case, national actors are likely to push *administrative decentralisation without fiscal transfers* as the first type of decentralisation.

The first type of unfunded administrative decentralisation gives more power to national executives and makes subnational officials to rely more on national government. The whole processes of developing nationally favourable political and societal contexts are captured as *a self-reinforcing mechanism*. Under nationally favourable political contexts, national executives may manoeuvre the timing, degree and type of the following decentralisation reform.

National government push fiscal rather than political decentralisation as the second type of reforms by using their advantageous positions. The last type of reforms will be the political decentralisation. Furthermore, national government may control the timing and contents of fiscal and political decentralisation by using reinforced nationally favourable contexts. Hence, following fiscal and political decentralisation often results in low changes of subnational autonomy. In a nutshell, prevailing national interests with reinforcing mechanisms have the sequence of administrative (A) - fiscal (F) - political (P) decentralisation which results in a low degree of change in subnational autonomy.

The fourth example is a variation of the second example with exogenous events. If grassroots democratisation movements take place after the first type of administrative decentralisation, nationally favourable political and social contexts are not developed. The first type of unfunded administrative decentralisation rarely has a reinforcing mechanism to subnational interests. Instead, grassroots democratisation movements have *a reactive mechanism* to national interests. In this case, subnational interests bridged with grassroots democratisation movement promotes political decentralisation as the second type of decentralisation. Then, subnational actors with increased political power push fiscal decentralisation as the last type of decentralisation. In a nutshell, prevailing national interests with reactive mechanisms have the sequence of administrative (A) - political (P) - fiscal (F) decentralisation which results in a medium degree of change in subnational autonomy.

The fifth and sixth examples are where national and subnational interests are tied during the first type of decentralisation negotiations. In this case, national and subnational actors will make concessions on their second preferences; therefore, fiscal decentralisation is likely to be implemented as the first type of decentralisation. The following reform will be determined by the intergovernmental balance of power after the first type of fiscal decentralisation.

The fifth example is where subnational actors gain more political power after the first type of fiscal decentralisation. This means a reinforcing mechanism is present after the first type of fiscal decentralisation. Subnational actors with increased political power may push political decentralisation as the second type of decentralisation. Then, administrative decentralisation will be followed as a residual reform. In a nutshell, tied national and subnational interests with reinforcing mechanisms have the sequence of fiscal (F) - political (P) - administrative (A) decentralisation which results in a high degree of change in subnational autonomy.

The sixth example is when national actors gain more political power after the first type of fiscal decentralisation. This means a reactive mechanism is present after the first type of fiscal decentralisation. National actors with increased political power may push administrative decentralisation as the second type of decentralisation. Then, political decentralisation will be followed as a residual reform. In this case, the *time lag* between the first and the second decentralisation reforms plays a salient role to develop subnational capacity, consequently, to decide the degree of changes in subnational autonomy after decentralisation (Falleti, 2010: 58). If fiscal and administrative take place almost at the same time, the changes of subnational autonomy will highly depend on subnational government performance on decentralised tasks. Given the absence of political decentralisation, the subnational governments' accountability still might be on national government and the performance of decentralised tasks will be poor. All these circumstances result in a low degree of change in subnational autonomy.

In contrast, if the time lag between fiscal and administrative decentralisation is longer, subnational governments may strengthen their political capital through fiscal resources given to them without responsibilities. In this case, subnational governments can obtain a medium degree of changes in subnational autonomy by utilising their fiscal authorities in order to enhance popularity. In a nutshell, tied national and subnational interests with reinforcing mechanisms have the sequence of fiscal (F) - administrative (A) - political (P) decentralisation which results in low/medium degree of changes in subnational autonomy.

The sequence of decentralisation and evolution of intergovernmental balance of power are summarised in Table 3.3.

Table 3.3 Sequences of Decentralisation: Hypotheses of the Dominant Territorial Interests, Sequence, and Subnational Autonomy

Dominant territorial interests in decentralisation coalition	Expected first type of decentralisation	Type of Causal Mechanisms	Expected Second Types of Decentralisation	Third type of Decentralisation (Residual)	Expected degree of change in subnational autonomy
SN →	P	Self-reinforcing →	F →	A →	High
SN →	P	Reactive → (i.e. economic crisis)	A →	F →	Low/Medium
N →	A	Self-reinforcing →	F →	P →	Low
N →	A	Reactive → (i.e. democratisation)	P →	F →	Medium
Tie →	F	Self-reinforcing →	P →	A →	High
Tie →	F	Reactive →	A →	P →	Low/Medium

(Notes)

A: administrative decentralisation; F: fiscal decentralisation; P: political decentralisation, IBOP: intergovernmental balance of power.

A “high” value in the degree of change in the intergovernmental balance of power corresponds to a higher degree of autonomy for governors and mayors, whereas a “low” value indicates that the degree of autonomy of subnational officials has remained practically unchanged.

(Source: Adapted and developed from Falleti (2010))

Contributions and Limitations of Falleti's Theory

Falleti's theory yields theoretical, methodological, and empirical advantages in studies of decentralisation and institutional changes. First, Falleti (2010) offers a clear definition of decentralisation *processes* consisting of administrative, fiscal, and political dimensions. This provides a systematic analytical starting point for researchers and practitioners to develop fertile research on decentralisation and intergovernmental relations. Based on this typology, unlike other studies focusing on one dimension of decentralisation, Falleti successfully combines interdependent dynamics of administrative, fiscal, and political decentralisation into one theoretical framework.

Second, Falleti demonstrates that decentralised governance is shaped by continuous processes of political dynamics amongst (national, subnational, ruling, and opposition) actors rather than the resulted of a final product of well-designed reform plans. Whilst extant studies focus on optimal designs of decentralisation and its outcomes (Bird et al. 1995; Litvack et al. 1998; Rodden 2000), Falleti's theory turns attention to political processes of decentralisation and subnational autonomy as its outcomes. By observing decentralisation as a series of administrative, fiscal, and political processes instead of a bundle of snap-shot reforms, Falleti's theory demonstrates political dynamics of decentralisation such as bargaining, coalitions, and coordination.

Giving attention to decentralisation processes, Falleti's theory captures *the policy ratchet effects* from uneven territorial power distribution to the first type of decentralisation, the sequence of decentralisation, and, consequently the diverse degree of changes in subnational autonomy. For instance, the degree of change in subnational autonomy is determined by the sequence of decentralisation which is shaped by prevailing territorial actors' preferences toward decentralisation. Overall, Falleti achieves theoretical contributions by understanding decentralisation as processes and actively including power in her theory. Falleti captures causal dynamics to change subnational autonomy by systematically theorising decentralisation processes based on uneven power distributions and actors' decentralisation preferences. In addition, Falleti's theory illustrates when and how decentralisation coalitions form, what kinds of bargaining take place, and how actors' decentralisation preferences are coordinated.

Fourth, a sequential theory of decentralisation was tested and built based on empirical studies in four Latin American countries. Falleti demonstrates predicted causal pathways

from dominant ruling interests to a low degree of change in subnational autonomy. The cases of Columbia and Brazil shows predicted causal pathways from prevailing subnational interests to a high degree of change in subnational autonomy. Overall, her empirical studies contain about twenty analyses of decentralisation and most of the cases conform to her theoretical expectations (Falleti 2010).

Lastly, Falleti's theory demonstrates that the implicit schema about decentralisation - *decentralisation always increases subnational autonomy* - does not always hold. Falleti's empirical studies reveal that dominant territorial interests in the first type of decentralisation negotiations play a key role to decide whether decentralisation reforms increase subnational autonomy or not. Dominant subnational interests may increase subnational autonomy whilst dominant national interests decrease subnational autonomy. In addition, the whole process of decentralisation is closely related to *good governance*. If the whole processes of decentralisation contribute to establish good governance, decentralised governance may garner desirable decentralisation outcomes such as enhancing accountability and the quality of public service.

In spite of these distinctive advantages, Falleti's theory has theoretical and empirical limitations to be addressed. First, Falleti's theory places undue emphasis on the role of structure (i.e., as a member of a party or territorial locations) and assumes agency as a given constant variable. Hence, territorial locations of actors have rather deterministic causal power to their decentralisation preferences. However, a number of decentralisation studies in Latin America reveal the role of agency in terms of actors' preferences toward decentralisation, subnational capacity, and hierarchical internal party structure. Selee (2011) highlights the partisan ideology and hierarchical internal party relations have the causality to constitute actors' preferences toward decentralisation. Grindle (2009) elucidates the importance of subnational leadership in developing democratic governance with decentralisation.

Such criticisms are not terminal as Falleti's theory considers the causal power of exogenous factors to explain the deviated sequence of decentralisation from the dominant actors' preferences. In the same vein, Falleti's work retains a possibility of accommodating the role of agency by taking horizontal subnational territorial interests into consideration. Consideration about diverse preferences of subnational actors such as

rural vs. urban and rich vs. poor may give opportunities to re-align the role of agency in the process of decentralisation (Falleti 2010: 247).

Second, the role of ideas is not fully acknowledged in Falleti's theory (Escobar-Lemmon 2011). The main force that brings about the first type of decentralisation is either bottom-up pressures from subnational actors or top-down strategic behaviours from national executives (Falleti 2010). The main force to shape opposition actors' preference is not their partisan ideologies but their political position as the opposition to stand against the ruling party. Hence, the ideological factors such as democratisation are considered as an exogenous factor in Falleti's theoretical framework.

However, there has been recent focus on political motivations of decentralisation and the institutional incentives of decentralised governance (Faguet and Pöschl 2015; Selee 2011). These ideological approaches offer valuable insights into why a country decides to start decentralisation. In contrast, Falleti's approach provides clear insights on factors that bring about the first type of decentralisation but lacks further explanation on why a country decided to start decentralisation.

Falleti (2010) traced the causal mechanisms to diverse degrees of change in subnational autonomy with a 'large hoop' by reducing the factor that shapes the actors' preferences to the actors' partisan and territorial position (Beland 2009). The causal power of ideas brings about institutional changes – by shaping shared political goals and strategies, constituting perceived interests, and constraining the implementation of reform agendas – should not be undermined (Beland 2009; Campbell 2004). Hence, ideological causal pathways to shape actors' preferences toward decentralisation must be considered in addition to the interest-based Falleti's causal pathways.

Third, more detailed considerations need to be given to three types of decentralisation. Falleti categorises decentralisation into three dimensions of administrative, fiscal, and political decentralisation and the impact of each dimension of decentralisation on subnational autonomy. She argues political decentralisation always increases subnational autonomy; administrative decentralisation with fiscal transfers increases subnational autonomy; administrative decentralisation without fiscal transfers decreases subnational autonomy; the impact of fiscal decentralisation on subnational autonomy depends on whether subnational government has personnel and organisational capacity to raise taxes or not.

The author questions the analytical advantages of this typology. As far as the author understands, decentralisation refers to transferring authority as well as responsibility. Hence, subnational autonomy after decentralisation depends on whether authority or responsibility is transferred rather than the types of decentralisation. Detailed discussion including an expanded decentralisation typology to examine decentralisation and subnational autonomy is in the next section.

Fourth, more empirical studies are required to test Falleti's theory in different national, sectoral, and periodic contexts to update its generalisability. Falleti corroborated her theory based on education policy decentralisation in Argentina, Colombia, and Mexico as well as the health care policy decentralisation in Brazil. Falleti's theory may expand its generalisability by being applied in countries outside Latin America. In the same vein, cross-sectoral comparison would create further theoretical and empirical advancement as each public service has distinct policy making processes based on technical complexity (i.e., professionalism of medical workers), resource availability (i.e., tax-based funding, insurance-based funding, or out-of-pocket burden), and social values (i.e. career stability in order to ensure political impartiality of education) (Herrera 2012).

Furthermore, time stretches of empirical studies would bring more insights about political processes of decentralisation and subnational autonomy. Falleti's theory is designed to investigate the first wave of decentralisation reforms after the start of the post-developmentalism. As decentralisation is continuous processes (Falleti 2010), a first wave of decentralisation entails a new distribution of political resources amongst actors which constrains and facilitates causal pathways in the following wave of decentralisation. Hence, it is useful to test whether Falleti's theory explains the political processes of the second wave of decentralisation reforms (Herrera 2012).

Lastly, it is worthwhile to investigate inter-subnational dynamics on the top of national-subnational dynamics. Although Falleti developed her theory based on national and subnational government, subnational government consists of more than two-tier of intermediate and local governments in many countries (Herrera, 2012). Researchers can enjoy more analytical advantages and have a fuller picture of decentralisation processes by systematically theorising political bargaining, cooperation, and contestations amongst actors from national, intermediate, and local government (Falleti 2010; Herrera 2012).

Conclusion

This section introduces a sequential theory of decentralisation and discusses its advantages and limitations. A sequential theory of decentralisation is a mid-range theory which expounds the causality between decentralisation and subnational autonomy (Falleti 2010). Decentralisation is understood as ongoing processes of administrative, fiscal, and political reforms. Actors have determined preferences according to their partisan and territorial interests. The gist of this theory is the formation of decentralisation coalitions amongst national, subnational, ruling, and opposition actors. The presence of a national and a ruling coalition reflects national interests are prevailing whilst the presence of a subnational, an opposition, and a national ruling and subnational opposition (NR-SO) mixed coalition reflects subnational interests are prevailing.

The sequence of decentralisation and subnational autonomy highly depend on the prevailing territorial interest and its policy ratchet effects. Prevailing national interests resulted in the sequence of administrative, fiscal, and political decentralisation and low degree of change in subnational autonomy. Prevailing subnational interests resulted in the sequence of political, fiscal, and administrative decentralisation and high degree of change in subnational autonomy. When national and subnational interests are tied, decentralisation starts with fiscal decentralisation and the degrees of change in subnational autonomy rely on the result of fiscal decentralisation. In addition, Falleti accommodates exogenous factors such as economic and political crises and democratisation in order to explain cases that deviated from her theoretical framework.

Falleti provides a systematic analytical framework to investigate decentralisation by defining decentralisation into administrative, fiscal, and political processes. By taking decentralisation as a series of processes rather than a bundle of snap-shots, Falleti advances theoretical contributions to capture political dynamics and causal mechanisms surrounding decentralisation such as bargaining, coalitions, coordination, and policy ratchet effects. In addition, Falleti conducts empirical studies by applying this theory into four countries in the Latin America.

In spite of these distinctive advantages, Falleti's theory has theoretical and empirical limitations. Falleti's overplays interests and structure and underplays ideas and agency in her theory. Actors' decentralisation preferences are solely shaped by their territorial interests derived from the actors' class of partisan and territorial positions. In addition,

the three-fold decentralisation typology lacks analytical advantages as each decentralisation has twin effects of transferring authority and responsibility. Lastly, more empirical studies based on diverse national, sectoral, and periodic contexts are required to expand its generalizability.

A REVISED HISTORICAL APPROACH WITH AN IDEATIONAL EMPHASIS

This section introduces a revised historical approach with an ideational emphasis which will be used in the thesis. This revised approach is developed based on Falleti's theory (2010), ideological approach of institutional changes (Beland 2007; Campbell 2004), the partisan alignment theory (Nam and Lee 2007), and expansion and retrenchment of the Welfare State (Pierson 1996).

Factors Shaping Actors' Preference toward Decentralisation

Actors' preferences toward decentralisation are shaped by interests, ideas, subnational capacity, and expansion and retrenchment of the Welfare State.

First, actors' preferences toward decentralisation are shaped by (partisan and territorial) interests. Based on Falleti's theory, this thesis takes ruling and opposition interests as partisan interests and national and subnational interests as territorial interests. At the national level, the relative power of ruling and opposition interests is estimated based on the party proposition in the legislative bodies. At the party level, the relative power of national and subnational interests is appraised based on internal disciplines and hierarchical culture of political parties.

In sum, national interests are strong when the ruling party occupies the majority of seats in the National Assembly, the ruling and opposition parties make a national coalition, or the central party tightly controls subnational actors. In contrast, subnational interests are strong when the opposition party occupies majority seats in the National Assembly, the ruling and opposition parties make a subnational coalition, or the central party highly depends on subnational actors. National and subnational interests are tied when either the ruling and opposition parties are tied in the National Assembly or the partisan interests are misaligned between national ruling and subnational majority (Nam and Lee 2007).

Basically the author takes a more flexible stance as actors' partisan and territorial locations are not the only cause to shape actors' preferences toward decentralisation although agreeing with interest-based preferences toward decentralisation. As a second consideration, the ideological pathways to actors' preference are accounted for in addition to interest-based preferences. Although it is controversial whether ideas are a sort of interest or an independent concept (Campbell 2004), the ideational has independent causal power to institutional change (Berman 1998; Hay 2006). Ideas are defined as actors' thoughts and perceptions about the world and its contextual changes and conceptualised into *social norms, policy paradigms, policy frames, public consensus, and programmes* (Campbell 2004).

Figure 3.4 Ideas in Decentralisation and the Welfare State

Types of Ideas	Detailed features	Example
Social norms	Rule-like practices	<ul style="list-style-type: none"> • When a new social programme introduces, national government takes 50-80% of fiscal responsibility • Nation government plans and subnational government implements (agency-delegation)
Policy paradigm	Decentralisation	<ul style="list-style-type: none"> • Deepening democracy • Neoliberalism: enhancing managerial efficiency • Balanced National Development • Pro-decentralisation partisan ideology • Partisan ideologies: progressive vs. conservative
Policy frame	Welfare expansion, retrenchment	<ul style="list-style-type: none"> • The Japanese-Style Welfare State • Productive Welfare State • Social Investment
Public consensus	Citizenship, Corruption, Good Governance	<ul style="list-style-type: none"> • In social policy delivery, equity is more important value than efficiency. • Or efficiency and tailored services are more important than equity. • If centralised governance is corrupt and inefficient, decentralisation is an alternative although it is not perfect.

Arising from the literature reviews and in-depth interviews during fieldwork, ideas around *decentralisation and the Welfare State*, the main topic of the thesis, are identified. As summarised in Figure 3.4, *social norms* are rule-like practices that assign policy-making

authority and fiscal and delivery responsibility between national and subnational government when new education and social service programmes are introduced. *Policy paradigms* include the partisan ideology toward decentralisation, democratisation, the Welfare State, and neoliberalism. *Policy frames* are political strategies taken by actors to promote decentralisation such as balanced national development, and welfare expansion and retrenchment such as productive welfare state and social investment. *Public consensus* includes shared ideas amongst citizens such as equity being a greater priority than efficiency in social programmes.

In addition, it is worth remembering that ideas are not static but changeable given personal beliefs, ideologies of political parties, social norms, policy paradigms and frames are dialectically changed by individual and collective *learning* and ideological *diffusions*. Furthermore, ideas have causal power in whole processes of decentralisation including agenda-setting, adopting, implementation, and evaluation stages.

Third, *the capacity of subnational government* combined with expansion and retrenchment of the Welfare State has causal power to shape actors' preference (Pierson 1996). When the Welfare State is expanded, national government has an incentive to gain more credits and to spend more subnational resources. Hence, when subnational government has enough organisational and fiscal capacity, national government attempts to transfer fiscal and delivery responsibility to subnational government. If national interests are dominant, national government can transfer delivery responsibility without fiscal resources. If subnational interests are dominant, national government may have to transfer delivery responsibility with fiscal resources.

In contrast, if subnational government does not have organisational and fiscal capacity, in spite of the national government will to transfer delivery responsibility, national government cannot transfer fiscal and delivery responsibility to subnational government. In this case, national government prefers providing newly introduced programmes by using its deconcentrated organisations or Quangos. If the establishment of Quangos and deconcentrated organisation, national government has to transfer delivery responsibility as well as personnel and fiscal resources to subnational government.

In the era of retrenchment, national government has incentives to avoid blames when reducing public expenditure (Pierson 1996). Hence, when subnational government has enough organisational and fiscal capacity, national government attempts to transfer fiscal

and delivery responsibility to subnational government. If national interests are dominant, national government transfers delivery responsibility without fiscal resources. If subnational interests are dominant, national government may have to transfer policy-making authority and delivery responsibility at the same time. As a result, the actualisation of welfare retrenchment highly depends on the actions of governors and mayors.

In contrast, if subnational government does not have organisational and fiscal capacity, in spite of national government will to transfer fiscal and delivery responsibility, national government cannot transfer fiscal and delivery responsibility to subnational government. Under prevailing national interests, national government may transfer fiscal and delivery responsibility to subnational government. However, national and subnational government might receive blame due to deteriorating quality of transferred public services.

In conclusion, actors' preference toward decentralisation is not a linear function of their interests but a result of multi factored considerations including interests, ideas, subnational capacity, and the old and new politics of the Welfare State. Hence, empirical studies on decentralisation and subnational autonomy should consider *dialectical interactive processes of actors, interests, ideas, and institutions in time*.

An Expanded Typology of Decentralisation and Actors' Preference

Actors' preferences toward decentralisation are identified based on an expanded typology of decentralisation. First, an expanded typology of decentralisation is developed considering political, fiscal, and administrative decentralisation has a dual aspect of transferring authority and responsibility.

Political decentralisation means transferring political decision-making authority to subnational government and citizens. Transferring decision-making authority to subnational government such as governors, mayors, and subnational councils increases subnational autonomy. In contrast, the transfer of decision-making authority to citizens may weaken the decision-making authority of governors, mayors, and subnational councils. As this thesis considers not the subnational-citizens' relation but the national-subnational relation, political decentralisation entails transferring decision-making power to national government and always increases subnational autonomy.

Fiscal decentralisation consists of revenue generation authority, and subnational expenditure management responsibility. When revenue generation authority is transferred, the change of subnational autonomy depends on subnational capacity. If subnational government has enough personnel and organisational capacity to raise taxes, the transfer of revenue authority increases subnational autonomy (Falleti 2010). If subnational government does not have capacity to raise taxes, transferring revenue authority may decrease subnational autonomy (Falleti 2010).

In addition, when subnational government has personnel and organisational capacity, political decentralisation and revenue generation and autonomy have *mutual reinforcing power*. Elected governors and mayors can push forward further revenue generation authority transfer. In turn, revenue generation autonomy offers governors and mayors political opportunities to build subnational political bases by planning and providing tailored public services to citizens.

The causality from transferring expenditure authority to subnational autonomy is not unanimous. The increase of non-earmarked transfers may increase subnational expenditure. Even in this case, national government controls subnational government administratively with regulatory authority (i.e., public service quality control mechanisms). The increase of ear-marked transfer gives national government more opportunity to control subnational government fiscally and administratively. In particular, earmarked transfers given with matching mandates have *reactive power* to decrease not only fiscal autonomy but also administrative and political autonomy of governors and mayors.

The relation of administrative decentralisation and subnational autonomy demonstrates a more complex picture. Administrative decentralisation refers to transferring policy-making and regulatory authority and fiscal and delivery responsibility. If subnational government has enough personnel and fiscal capacity, the transfer of policy-making and regulatory authority may increase subnational autonomy. If subnational government does not have personnel and fiscal capacity, the transfer of policy-making and regulatory authority may not change subnational autonomy significantly but deteriorate the quality of transferred public services.

If subnational government has personnel and fiscal capacity, the transfer of fiscal and delivery responsibility may increase subnational autonomy and enhance the quality of public services. In this case, the administrative responsibility transfer has *reinforcing*

power to build political authority of governors and mayors. If subnational government does not have personnel and fiscal capacity, the transfer of fiscal and delivery responsibility decrease subnational autonomy and the quality of public services. In this case, the administrative responsibility transfer has *reactive power* to build political authority of governors and mayors.

As can be seen *Table 3.5*, the types of decentralisation and subnational capacity shape the degree of change in the intergovernmental balance of power. Hence, this revised approach aims to trace pathways, both forces and mechanisms, to the increase of subnational autonomy in the perspectives of actors, interests, ideas, and subnational capacity. In addition, unlike the assumption outlined in Chapter 2, the quality of public services after administrative and fiscal decentralisation is highly contingent on subnational capacity (i.e., personnel, organisational, and fiscal capacity) instead of subnational autonomy.

Table 3.5 An Expanded Typology of Decentralisation: Authority and Responsibility

Dimensions of Decentralisation	Expanded Dimensions		Subnational Capacity	Degree of changes in Subnational Autonomy	Quality of Public Service
Political	Decision-making Authority		-	High	Depends on subnational leadership
	Strengthening direct democracy		-	-	-
Fiscal	Revenue Generation Authority		Yes	High	Enhance
			No	Low	Deteriorate
	Expenditure Management Responsibility	Non-earmarked transfer	Yes	High	Enhance
			No	Medium	Deteriorate
		Earmarked transfer	Yes	Low	Enhance
			No	Low	Deteriorate
Administrative	Policy-making and Regulatory Authority		Yes	High	Enhance
			No	Low	Deteriorate
	Fiscal and Delivery responsibility	Funded Transfer	Yes	High	Enhance
			No	Low	Deteriorate
		Unfunded Transfer	Yes	Medium	Enhance
			No	Low	Deteriorate

Actors' Preference toward Decentralisation

Considering actors' territorial interests and subnational capacity, actors' preferences toward decentralisation are redefined in Table 3.6. In the expanded typology, national government prefers AR > FR > AA > FA > PR > PA. Subnational government with capacity prefers PA > FA > FR = AA > AR > PR whilst subnational government without capacity prefers PA > FR = AA > FA > AR > PR.

Table 3.6 Actors' Preferences toward Decentralisation under the Expanded Typology

Actors preferences Types of Decentralisation	National government	Subnational Government with Capacity	Subnational Government without Capacity
Political Decentralisation			
Decision-making Authority (PA)	6	1	1
Strengthening direct democracy (PR)	5	5	5
Fiscal Decentralisation			
Revenue Generation Authority (FA)	4	2	3
Expenditure Management Responsibility (FR)	2	3	2
Administrative Decentralisation			
Policy-making and Regulatory Authority (AA)	3	3	2
Fiscal and Delivery responsibility (AR)	1	4	4

(note) 1 = the most favourable, 6 = the least favourable

This expanded typology and predicted actors' preferences toward decentralisation offer analytical advantages to researchers. First, the expanded decentralisation typology with subnational capacity (Table 3.5) constructs *linear causal pathways* from the types of decentralisation to subnational autonomy. Second, *Table 3.6* provides the starting point of decentralisation process-tracing analyses. If ideas and the welfare politics are observed in the selected cases, *Table 3.6* works as a map to check where actors' preferences deviate from interest-based assumptions.

Third, *Table 3.6* offers an analytical tool to examine the agency of subnational actors. Considering subnational government is not one entity but a collective entity with individual subnational governments, capacity-based decentralisation preferences provides an analytical field to diverse contexts of each subnational government. For instance, subnational capacity can refer to the development of bureaucratic governmentality in cross-country comparison studies. In national level studies, subnational capacity can be a proxy variable representing urban and rural areas or well-off and deprived areas. In other cases, subnational capacity can represent the presence or absence of entrepreneur subnational leadership.

Conclusion

This section introduces a revised approach to be applied to empirical studies in this thesis. First, interests, ideas, and subnational capacity are investigated as factors to shape actors' preferences toward decentralisation. Second, considering twin feature of administrative, fiscal, and political decentralisation, decentralisation typologies are expanded into six dimensions with authority and responsibility. Lastly, actors' preferences toward decentralisation are predicted based on territorial interests, subnational capacity, and the expanded decentralisation typology.

Chapter 4 Literature Review: Decentralisation and Subnational Autonomy Evidence from East and South Asia

INTRODUCTION

This chapter presents findings from a systematic literature review about the relationship between decentralisation and subnational autonomy from East and South Asia. Systematic examination of evidence about decentralisation and subnational autonomy offers several benefits. First, systematic literature review helps to map the location of interests, decentralisation and subnational autonomy of the thesis, in the academic world. Second, systematic literature review helps to detect frequently-used variables and theories which would be used in future research. Third, researchers are able to attempt a meta-analysis by using selected literature and well-known theoretical framework. Fourth, researchers may find research gaps via a systematic literature review. Finally, systematic literature review guides case-selection strategies for case studies.

The matter whether decentralisation increases subnational autonomy is an important factor to understand decentralisation and its outcomes. If subnational autonomy did not change after decentralisation, diverse outcomes of decentralisation on enhancing or deteriorating efficiency and equity may not be attributed to decentralised governance. Therefore, this systemic literature review aims to detect actors, interests, ideas, and institutions and examine whether decentralisation increases subnational autonomy of nine selected East and South Asian countries.

This chapter is divided into five sections. Following this introduction, the methods used in this systematic literature review are outlined which include detailed processes of study identification, study selection, inclusion and exclusion criteria, and the results. In the third section, a descriptive analysis about the selected studies is outlined. In the fourth section, the findings of this systematic literature review are outlined in terms of driving force, actors, institutions, processes, and consequences. Finally, this chapter concludes by summarising this chapter and presenting implications and future research avenues.

METHOD

Logic and mechanism used to identify, and select study to be used in this systematic literature review are outlined. First, relevant electronic databases were identified in the wider field. By considering the main themes of this thesis (i.e. decentralisation, subnational autonomy, social policy), databases linked to social policy and social work, and politics were selected. Five electronic databases were in the electronic databases for social policy and social work including those for social policy, management, public policy, public administration and social care, but excluding those related to psychology, criminology, traumatic stress and statistics. Similarly, electronic databases were identified for politics including political science but excluding political philosophy, statistics and Yearbooks. As there were some duplications across social policy and politics, a total of six databases are selected which are detailed in Table 4.1.

Table 4.1 Results of Electronic Database Selection

Total (6)	ProQuest	Web of Science	EBSCO	Scopus	Social Policy Practice (Ovidsp)	Sage Journals Online
Social Policy and Social Work (5)	o	O	o	o	o	
Politics (5)	o	O	o	o		o

Second, key search terms were identified *decentralisation, subnational government, and subnational autonomy* reflecting the focus on the relationship between decentralisation and subnational autonomy as the main interests of the thesis. When the electronic databases were screened, different expressions with same meaning were used in order to embrace a variety of terminology. If those key search terms were in title, abstract and contents of a paper, it was identified as a potentially relevant paper through following a screening procedure (See Table 4.2).

Table 4.2 Concepts and Key Search Terms

Concepts	Key search terms used when screening
Decentralisation	Decentralisation <i>or</i> decentralization <i>or</i> devolution <i>or</i> deconcentration <i>or</i> delegation
And	
Subnational government	Local government <i>or</i> regional government <i>or</i> provincial government <i>or</i> municipal government <i>or</i> subnational government
And	
Subnational autonomy	autonomy <i>or</i> authority <i>or</i> intergovernmental power <i>or</i> balance of power

Third, inclusion criteria for a first screening were decided based upon period, language and document type. Potentially relevant papers were to be peer-reviewed journal articles containing empirical evidence and written in English. As the aim is to identify empirical evidence on decentralisation and its outcomes, this systematic literature review gives attention to empirical studies rather than theoretical debates. Inclusion criteria for the first screening (See Table 4.3).

Table 4.3 Inclusion Criteria

Criteria	Contents
Period	From 2000.1.1 – 2014.3.25
Language	English
Document type	Published journal article
Study type	Empirical study
Originality	Primary and secondary data

Fourth, 928 potentially relevant papers were identified by screening the selected six electronic databases. These potentially relevant papers come from different sources: 333 from ProQuest, 145 from Web of Science, 161 from EBSCO, 51 Scopus, 57 from Social Policy Practice and 181 from Sage Journals Online. A total of 786 potentially relevant papers remained after deleting duplicated papers (n=142).

Fifth, the second screening is implemented by using inclusion and exclusion criteria (Table 4.4). After 536 papers were excluded based on title and abstract review, 250 from the total of 786 potentially relevant papers remained.

Sixth, 186 relevant papers remained after excluding 64 papers on the basis of full text review including a systemic review paper. Two papers were added based upon the author's previous reading. This gave a total 188 studies for a final systematic literature review.

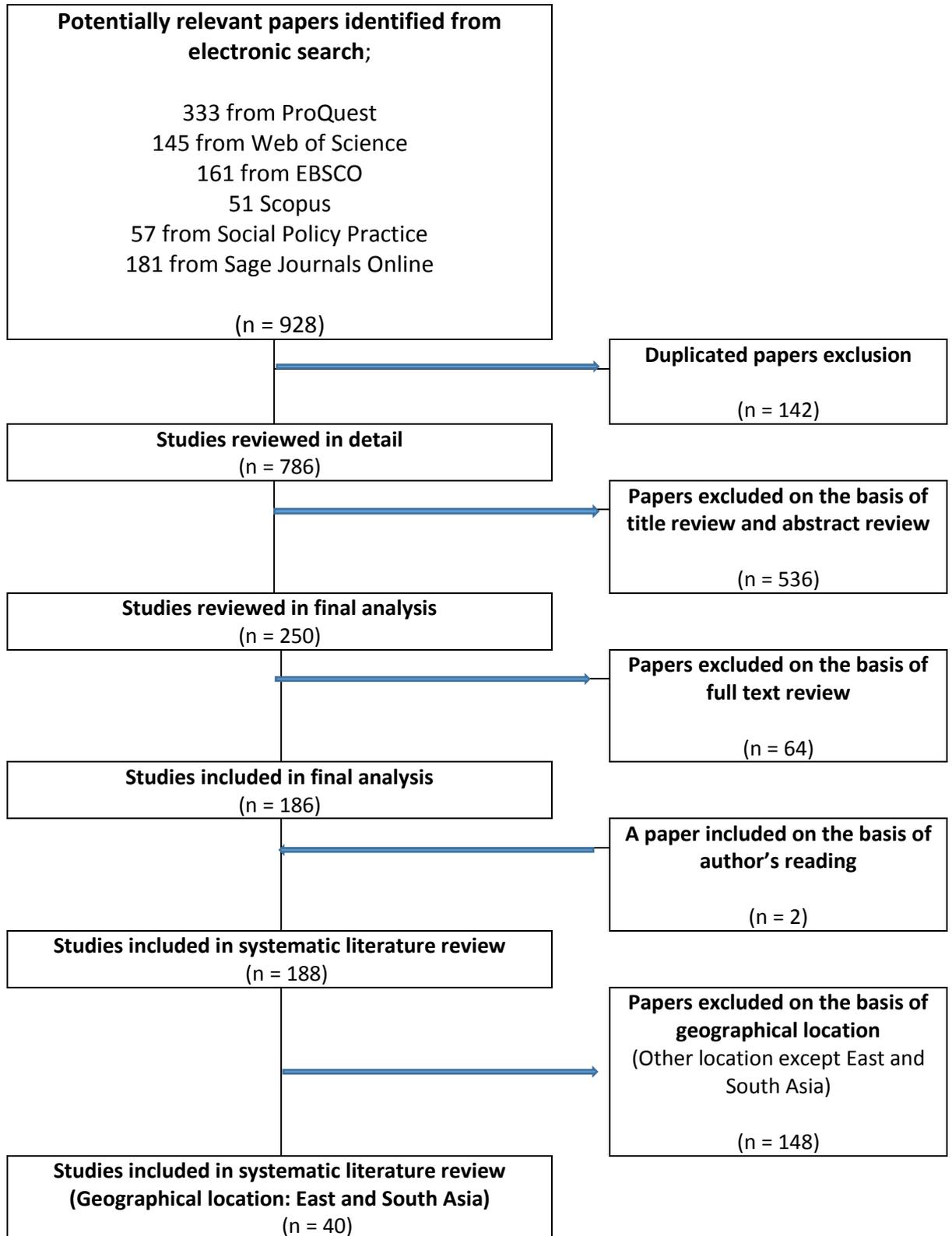
Table 4.4 Inclusion/Exclusion Criteria

	Inclusion Criteria	Exclusion Criteria
Policy area	<ul style="list-style-type: none"> • Social policy (education, health care, social care, income support, policy/services for older, disabled people and children and family) • Poverty 	<ul style="list-style-type: none"> • Energy, climate change, environmental policy • Economic policy, urban development, local enterprise partnership • Information technology, e-government • Forest management, natural resource management • Cultural policy, film and media • Foreign policy • Human rights
Decentralisation	<ul style="list-style-type: none"> • Decentralisation from public to public (i.e. from central government to local government or intermediate government) 	<ul style="list-style-type: none"> • Privatisation (decentralisation from public to private) • arms-length and agencification
Capacity building	-	<ul style="list-style-type: none"> • Participation, empowerment
Economic Cooperation	-	<ul style="list-style-type: none"> • Nationalism, localism, regionalism • (International) municipal cooperation
Other	-	<ul style="list-style-type: none"> • Ethnicity

Seventh, this number was further reduced by a geographical focus on Asia and South-East Asia, in order to shed light on the decentralisation in newly democratised and developing countries, to give forty journal articles (Appendix 1).

Search processes of this systematic literature review are outlined in Figure 4.1.

Figure 4.1 Flow Chart of Search Strategy Process



OVERVIEW OF THE LITERATURE: *Descriptive Analysis*

According to above procedures, forty journal articles were selected to conduct systemic literature review. A general overview of the selected forty papers is presented in terms of periodical dispersion, geographical locations, and theoretical and methodological approaches. First, the selected papers' periodical dispersion was relatively even from 2000 to 2013 (Table 4.5).

Table 4.5 Periodical Dispersion of Selected Papers

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
No.	2	4	2	2	2	3	2	1	1	3	6	2	3	7

Second, the selected papers cover total nine countries of five in South Asia and four in East Asia. Twelve papers investigated decentralisation in China. Majority of the papers dealt with the change of central-provincial relations under asymmetric decentralisation of fully decentralised administrative and fiscal authorities and centralised political powers. Papers on decentralisation in India, Indonesia, and Philippines were found six, respectively. Decentralisation of Japan and Korea were discussed in three papers, respectively. Papers about Thailand and Taiwan were two, respectively and a paper about Bangladesh was found.

On the other hand, four papers were cross national comparative study. Sudhiponpracha (2013) conducted a historical comparative study about the central-local relation in Thailand and Philippines. Chang (2010) compared the central-periphery relations in Korea and Russia. Bossert and Beauvais (2002) analysed decentralisation of health care in Ghana, Zambia, Uganda, and Philippines, and explain the diverse consequences of decentralisation by comparing local decision space. Heller (2001) conducted a comparative study about three regional governments in South Africa, India, and Brazil. Qualitative methods were mainly adopted in the four comparative studies.

While 28 papers were a case study for a single country and took nation as an analytical unit, the remaining twelve papers discussed decentralisation in a region or several regions in one country. In the case of India, five out of six selected papers were inter-regional comparative studies (Dyer 2005; Gaiha and Kulkarni 2002; Heller 2001; Imai and Sato 2012; Venugopan and Yilmaz 2009). Three studies about Indonesia also executed in-depth

case studies or a comparative study (Firman 2008; Hunter 2004; Kristiansen et al. 2006). There were three studies about decentralisation and the consequences in regional level (Skinner et al. 2003; Wang et al. 2012; Yep 2010). There was one in-depth case study about Muslim Mindano Island in Philippines (Jimenez 2009).

Third, six papers investigated decentralisation with theoretical frameworks (Bossert and Beauvais 2002; Haque 2010; Heller 2001; Kuo and So 2013; Sudhiponpracha 2013; Tsai et al. 2012, Wang et al. 2012). Bossert and Beauvais (2002) used 'decision space analytical framework' based on a principle agent approach in order to evaluate decentralisation. Haque (2010: 1532) stressed to take attention on 'county's contextual determinants, such as the past legacies of centralisation, configuration of local power structure, and bureaucratic elitism, in decentralisation analyses. Heller (2001: 135-136) compared divergent two approaches – the technocratic and the anarcho-communitarians views – toward decentralisation, and illustrated the latter approach has more persuasive to explicate diverse consequences of decentralisation reforms in Kerala (India), South Africa, and Porto Alegre (Brazil). Kuo and So (2013) and Wang et al. (2013) focused on fiscal decentralisation by introducing *Fiscal Federalism* (Oates 1972), *Leviathan Hypothesis* (Brennan and Buchanan 1980), and *Market Preserving Decentralisation* (Weingast 1995). Sudhipongpracha (2013) challenged *Riker's Theory of Federalism* (1964) and *Falleti's Sequential Theory of Decentralisation* (2005). Tsai et al. (2012) applied *Down's Median Voters Theorem* to their analysis.

Theoretical frameworks used in the six papers can be summarised into two types: rational choice and historical institutional approaches. The theories based on the rational choice approach which emphasizes agency and externally given incentive designs are *Decision Space Analytical Frame Work (Principle-agent theory)*, *Technocratic View*, *Fiscal Federalism*, *Leviathan Hypothesis*, *Market Preserving Decentralisation*, *Riker's Theory of Federalism*, and *Downs' Median Voters Theorem*. Contrary to the rational choice stream, the anarcho-communitarians view and *Falleti's Sequential Theory of Decentralisation* focus on the interaction between actors and structures – historical and institutional legacies and the sequence of decentralisation – respectively.

Selected literature about decentralisation in East and South Asia mainly analysed decentralisation reforms in given countries in descriptive methods. Only six papers were

adopted concrete theoretical framework in order to examine what really happen in the process of decentralisation. Furthermore, whereas most of the theories used in the six papers were based on the rational choice approaches, only two adopted historical institutional approaches (Heller 2001; Sudhipongpracha 2013). There was no article applied ideological approaches explicitly.

Fourth, there was a proclivity toward qualitative methods. Whereas most of the papers are a case study for a single country, a few papers discussed decentralisation in a region or several regions in one country. Furthermore, methodological dominance was given to a qualitative document analysis because majority of papers contains processes and contents of decentralisation reforms. 29 papers used qualitative approaches including document analysis, one-to-one interview, and focus group interview. Nine papers adopted quantitative approaches, such as descriptive statistical analysis, regressions and difference-in-differences (DID), by using secondary data. Nine papers used quantitative approaches investigated the consequence of fiscal decentralisation in terms of equity and efficiency. The remaining two papers used mixed methods. The detailed information about the selected papers is in table 4.6.

Table 4.6 Detailed Information of the Selected Papers

Area	South Asia					East Asia			
	Bangladesh	India	Indonesia	Thailand	Philippines	China	Japan	Korea	Taiwan
No. of Paper	1	6	6	2	6	12	3	3	2
Quanti	0	1	1	0	0	4	1	1	1
Quali	1	5	4	2	6	7	2	2	1
Mixed	0	0	1	0	0	1	0	0	0
Compa-rative	0	1	0	1	1	0	0	1	0
Country	1	1	3	2	5	9	3	3	2
Regions	0	5	3	0	1	3	0	0	0

* Sum is more than forty due to comparative study on Thailand and Philippines.

LITERATURE REVIEW FINDINGS

Driving Forces of Decentralisation in East and South Asia

During last decade, social and political demands promoted political and managerial decentralisation. The contents of social and political demands triggering decentralisation are highly related to directions and types of the following decentralisation. When social and political demands emerged from the sceptics of 'big government', often administrative and fiscal decentralisation reforms are followed in order to enhance managerial efficiency and economic competitiveness. Reverse, if social and political demands were triggered by corruption under centralised authoritarian government, political decentralisation is often followed in order to establish democratic governance and enhance participation.

Three driving forces of decentralisation – managerial, democratic, and ethnic and religious motivations – are found within the forty articles. First, decentralisation reforms in East and South Asia were driven by managerial motivations that stemmed from neoliberal ideas. After the Asian Financial Crisis in 1997, the idea of small government and New Public Management spread in East and South Asia. Five countries (China (including Hong Kong), India, Indonesia, Korea, and Thailand) promoted administrative and fiscal decentralisation in order to enhance managerial efficiency (Brodjonegoro and Asanuma 2000; Chang 2010; Chien 2010; Dyer 2005; Jacobs 2003; Kang 2006; Kim 2013; Kuo 2012; Lewis 2005; Sudhipongpracha 2013; Tandan 2001). In many cases, international institutions and donors requested administrative and fiscal decentralisation. In contrast, literature about four countries (Bangladesh, Japan, Taiwan and Philippines) did not contain managerial motivation of decentralisation.

Second, grassroots democratisation movements promoted decentralisation in seven countries (Bangladesh, India, Indonesia, Korea, Taiwan, Thailand, and Philippines). Democratisation movements against strongly centralised autocratic governments led five countries (Indonesia, Korea, Taiwan, Thailand and Philippines) into political decentralisation. In Philippines, popular mobilisation for further democratisation the People Power Revolution of 1986 finished the Marcos dictatorship (Langran 2011). In Korea, the student-led democratisation protests of the 1980s ended the Military dictatorship (Kwon OS 2003).

Third, literature concerning China and Japan did not mention the democratic motivation of decentralisation. In particular, democratic decentralisation has not yet taken place in China. Lastly, in Indonesia and Philippines, national government transferred political autonomy to subnational government in order to relieve ethnic and religious conflicts and disintegration of national state (Jimenez 2009; Silver 2001).

Figure 4.7 Political and Managerial Motivations of Decentralisation

	Political motivations	Managerial motivations
Bangladesh	<ul style="list-style-type: none"> • Launch, abolish and reform local self-governance system according to ruling party's partisan interests (in 1976, 1982, 1991, 2001) 	Not mentioned
China	Not mentioned	<ul style="list-style-type: none"> • Economic development • Entrepreneurial innovation
India	<ul style="list-style-type: none"> • Democratisation • Reflection of local needs 	<ul style="list-style-type: none"> • Economic restructuring • Neo-liberalism; globalisation
Indonesia	<ul style="list-style-type: none"> • Democratisation • Antipathy to centralised authoritarianism • Prevention of state disintegration 	<ul style="list-style-type: none"> • Asian Financial Crisis in 1997
Japan	Not mentioned	Not mentioned
Korea	<ul style="list-style-type: none"> • Antipathy to centralised autocratic government • Democratisation 	<ul style="list-style-type: none"> • Asian Financial Crisis in 1997 • Neo-liberalism; globalisation
Taiwan	<ul style="list-style-type: none"> • Antipathy to centralised autocratic government • Democratisation 	Not mentioned
Thailand	<ul style="list-style-type: none"> • Antipathy to centralised autocratic government • Democratisation 	<ul style="list-style-type: none"> • Neo-liberalism; globalisation
Philippines	<ul style="list-style-type: none"> • Antipathy to centralised authoritarianism • Democratisation; the People Power Revolution • National advancement • Prevention of state disintegration (in the case of the Autonomous Region in Muslim Mindanao) • Externally, international institutions and donor governments 	Not mentioned

Actors of Decentralisation

This section illustrates actors and their preferences toward decentralisation in nine selected countries. There were four actors – government (national, intermediate and local), political party (ruling and opposition), civil society and international institutions – who played critical roles in decentralisation.

First, governments in this section refer to bureaucratic systems located in national, intermediate, and local government. National and subnational bureaucratic systems are key player to shape and implement decentralisation plans. Political parties refer to the ruling party and opposition parties which together constitute a country's legislative body. In many cases, political parties are the most active players in decentralisation reforms because the major decisions about decentralisation is made in Constitutions and laws. Civil society often plays a key role to trigger political decentralisation by raising social and political movements. Lastly, international organisations and donors draw a country to implement decentralisation explicitly and implicitly.

Second, each actor's preference toward decentralisation is examined. Falleti (2010) argued actors' preferences toward decentralisation are shaped by their partisan and territorial interests. Whereas national government and the ruling party abhor decentralisation reforms, subnational government and opposition parties favour decentralisation. In addition, what sorts of authorities, resources and responsibilities are decentralised also shape actors' preferences toward decentralisation. Subnational government welcomes decentralisation not because of an increase of their responsibility but of their authority and resources. In the same vein, national government is reluctant to decentralise authority and resources but favours transferring administrative and fiscal responsibility. Civil society and international institutions espouse decentralisation reforms based upon their ideas and preferences about democratisation and good governance.

In selected nine countries, government and political party are not always clearly divided. In China, national government and ruling party are *de facto* the same body and an opposition party do not exist because of its less democratic political system. Under the strict personnel control, the Chinese Central Government favoured decentralisation as a national reform strategy to achieve economic development and macroeconomic stability.

Six national governments (i.e. India, Japan, Korea, Taiwan, Thailand, and Philippines) were more or less against decentralisation. National bureaucracies attempted to stall decentralisation reforms and such attempts often resulted in incomplete or nominal decentralisation with little institutional change toward decentralisation. In Bangladesh, political decentralisation has been used to reinforce the ruling party's partisan interests in subnational government rather than to develop subnational self-governance (Panday 2011). Exceptionally, after Suharto's resignation, the Habibie transition government actively promoted decentralisation. Facing public discontent on the centralised authoritarian regime, the 1997 Asian Financial Crisis, and extreme secessionist movements, the Habibie Administration achieved a breakthrough with extensive decentralisation reforms (Jammenez 2009; Langran 2011; Sudhipongpracha 2013).

To summarise, empirical evidence from this systemic literature review reaffirms the established argument that national government is inclined to oppose and subnational governments to support decentralisation in six countries (India, Japan, Korea, Taiwan, Thailand, and Philippines). Under specific context, national government favours decentralisation reforms including China with one party politics, Indonesia with a transition government, and Bangladesh where national government controls the whole processes of decentralisation.

In six countries (Bangladesh, China, India, Indonesia, Thailand and Philippines), the ruling party had positive attitudes towards decentralisation reforms. As aforementioned, in China, the ruling party promotes administrative decentralisation with personnel and fiscal restraints. In Bangladesh, India, Indonesia, Thailand and Philippines, the ruling party favours decentralisation in political reasons: making political basements in regional governments (Bangladesh) and accepting democratisation demands from below (India, Indonesia, Thailand, and Philippines). In Japan, Korea, and Taiwan, the ruling party was reluctant to introduce, and often procrastinated, decentralisation reforms. Opposition parties, if they exist, supported decentralisation reforms in all countries. It is not surprising given that decentralisation is usually used as a strategy of those less advantaged to establish regional supporting basis (Falleti 2010; Aye 2013).

In summary, in East and South Asian countries, only three countries (Japan, Korea, and Taiwan) are in accordance with the established arguments that the ruling party resists

and opposition party favours decentralisation reforms. Contrary to Falleti's arguments (2010), ruling parties in Bangladesh, India, Indonesia, Thailand, and Philippines support decentralisation reforms for their political interests (Bangladesh) and ideas (national democratisation). China, which has only one party, cannot be explained by Falleti's framework.

Both civil society and international institutions favour decentralisation reforms. In the selected literature, strong civil societies were not evident in Bangladesh, China, and Japan. In India, Indonesia, Korea, Taiwan, Thailand and Philippines, democratisation movements mobilised by civil society triggered political decentralisation. In particular, the Philippine government acknowledged the NGO role – during the People Power Revolution in 1986 – to achieve democratic governance by stipulating NGOs as 'partners of government' in the 1987 Constitution (Wurfel 1991: 86). International institutions play a substantial role in unfolding decentralisation in South Asian countries (Bangladesh, India, Indonesia, Thailand, and Philippines). In contrast, there was little influence from international institutions in Japan, Korea and Taiwan. In China, the influence of international institutions was not reported. Actors' preferences toward decentralisation are summarised in Table 4.8.

Table 4.8 Actors in Decentralisation Reforms

	Government			Political party		Civil society	International institutions
	National	Intermediate	Local	Ruling	Opposition		
Bangladesh	N	-	*	P	P	*	P
China	P	*	*	P	-	*	*
India	N	P	P	P	P	P	P
Indonesia	P	P	P	P	*	P	P
Japan	N	*	*	N	P	*	-
Korea	N	P	P	N	P	P	-
Taiwan	N	N	P	N	P	P	-
Thailand	N	P	P	P	P	P	P
Philippines	N	P	P	P	P	P	P

Note: P (Positive attitude), N (Negative attitude), - (non-existing), * (not mentioned)

Institutions of Nine Selected Countries

Parsons (2007: 13) defined institutions as ‘man-made constraints and incentives channel to certain actions’. Drawing on this definition, this section discusses nine selected countries’ institutions surrounding decentralisation reforms. Two different types of institutions – political institutions and historically and socially embedded institutions – were found in the selected forty papers (Table 4.9).

The executive-legislative relation is examined as a political institution. Five (Bangladesh, China, India, Japan, and Thailand) countries have a legislative dominated system. Four (Indonesia, Korea, Taiwan, and Philippines) countries have an executive dominance system. The legislative and executive bodies have more cooperative relations within a legislative-dominant system because of the executives being selected not by voters but legislative members. However, the partisan misalignment under an executive-dominance system often delayed decentralisation because of veto power of opposition parties.

Four types of historically and socially embedded institutions were found: the developmental state legacy, the colonial legacy, the authoritarian regime legacy and the centralised Kingdom legacy. First, as a developmental state legacy, a strong centralised bureaucracy was found in seven countries except Bangladesh and Philippines.

Second, six out of nine countries (Bangladesh, India, Indonesia, Korea, Taiwan, and Philippines) were under colonial rule at least once. In Bangladesh, India, Indonesia, and Philippines, political and social institutions were established in the colonisation era. The subnational self-governing system in India and Bangladesh started from *the Bangal Local Self-Government Act* passed in 1885 under the British Colonial rule (Panday 2011). In Korea and Taiwan, the Japanese colonial rule, which aimed at centralised planned state management for military purposes, left centralised politics and bureaucracy.

Regarding relationships between colonial rule and decentralisation in Philippines, two different perspectives were found. Legaspi (2001: 132) argues that ‘Philippines have a long history of centralisation from the colonial Spanish regime to the recent Marcos era’. In contrast, Sudhipongpracha (2013) maintains that colonial legacies in Philippines helped decentralisation by building local taxing power under Spanish colonial rules and by experiencing municipal elections under the American colonial regime.

Table 4.9 Institutions in Nine Selected Countries

	Political institutions	Historically and socially embedded institutions			
	Executive-legislative relation ¹	Developmental state ²	Colonial legacies ₃	Authoritarian regime ⁴	Centralised Kingdom ⁵
Bangladesh	L	-	Y, F	Y, M (1982-90)	-
China	L	Y	-	Y, B (1949-)	Y (until 1940s)
India	L	Y	Y, F	-	-
Indonesia	E	Y	Y, F	Y, M (in 1967-97)	-
Japan	L	Y	-	Y, M (in 1930s-45)	Y (Constitutional monarchy)
Korea	E	Y	Y, U	Y, M+B (in 1961-87)	Y (until 1940s)
Taiwan	E	Y	Y, U	Y, M+B (in 1949-86)	Y (until 1940s)
Thailand	L	Y	-	Y, M (in 1932-73)	Y (Constitutional monarchy)
Philippines	E	-	Y, F	Y, B (in 1965-86)	Y or -

Note: 1. The classification of executive-legislative relation is taken from Lijphart (2012).

Executive dominance (E) when the executives (i.e. president) selected by voter and not dependent on legislative confidence.

Legislative dominance (L) when the executives are selected by legislative and dependent on legislative confidence.

2. Developmental state (Jonson, 1982; 1995; Woo-Cumings, 1999): Y (Yes), - (No)

3. Colonial legacies: Y (Yes), F (Legacies favourable for decentralisation), U (Legacies unfavourable for decentralisation), - (No)

4. Authoritarian government legacies: Y (Yes), - (No), M (Military based dictatorship), B (Bureaucratic based dictatorship)

5. Centralisation Kingdom exist before modern state building: Y (Yes), - (No)

Third, the authoritarian regime legacy is found in eight countries, but excluding India.

Authoritarian regimes are divided into two types: military-based and bureaucracy-based dictatorships. Whereas Bangladesh, Indonesia, Japan, and Thailand had military based authoritarian governments in the 1900s, Philippines had bureaucracy-based authoritarian government. In the case of Korea and Taiwan, their authoritarian governments started from a military basis and moved to a bureaucratic one.

Lastly, centralised Kingdom legacies were found in five countries of China, Japan, Korea, Taiwan, and Thailand. Among these five, only two (Japan and Thailand) developed as a constitutional monarchy institution and the remaining three transformed into republic countries. In the case of Bangladesh, India, Indonesia, and Philippines, long colonisation legacies attenuated the effects of centralised Kingdom legacies.

Types of Decentralisation

Types of decentralisation are traced in the nine selected countries. Among a wide range of definitions and typologies of decentralisation (Dubois and Fattore 2009), Wolman's (1990) three-fold distinction – administrative, fiscal and political decentralisation – is adopted to analyse decentralisation in selected nine countries. Administrative decentralisation refers to transferring public service management and public service delivery responsibilities from national to subnational governments or semi-autonomous authorities (Smoke 2003; Falletti 2010; Pollitt 2007). Fiscal decentralisation refers to transferring authority to collect and allocate fiscal resources (Treisman 2002). Political decentralisation refers to transferring political decision-making authority to subnational governments (Wolman 1990; Pollitt et al. 1998).

East and South Asian countries show a clear predilection for political decentralisation but retain a relative degree of administrative and fiscal decentralisation. Decentralisation reforms in all the countries except China and Japan were triggered by political eagerness towards deepening democracy. Seven countries' incumbent governments had to accept political decentralisation gladly (Indonesia) or reluctantly (the remaining countries) in order to increase the legitimacy of their regimes. Five countries (Bangladesh, India, Indonesia, Korea, and Philippines) implemented political decentralisation – direct elections of executives and legislative members within all the layers of subnational governments – as the first type of decentralisation reforms in the 1990s. Political decentralisation in Japan was driven by the US and Allied government in the 1940s. In Indonesia, after the stepping down of Suharto, the Habibie transition government had no option except to implement extensive levels of administrative, fiscal and political decentralisation in order to prevent state disintegration.

Taiwan and Thailand introduced political decentralisation partially. Taiwan has executive and legislative elections in each local level (i.e. County, Town, and City) except districts in direct-controlled municipality. In Thailand, governors are appointed by an elected Prime Minister, except in special self-governing cities of Bangkok and Pattaya. In the self-governing city of Bangkok, district heads of Bangkok are appointed by the governor of Bangkok, but the district council members in Bangkok are elected by the citizens.

China also implemented political decentralisation partially. However, national government in China holds a strong reign on provincial and local government by maintaining personnel authority to appoint governors. Executives at all levels of local governments in China have strong upwards accountability toward national government but often neglect downward accountability toward citizen (Lam 2010).

The selected literature rarely mentioned administrative decentralisation in Bangladesh, Japan, and Taiwan. There are a few pieces of information about remaining six countries (China, India, Indonesia, Korea, Philippines, and Thailand). After 1978, China transferred extensive regulatory authority from investment decisions, land-use planning to health, education and social services (Chien 2010; Wang et al. 2012). Yet, the 1994 tax recentralisation decreased subnational fiscal autonomy (Niu 2013). Studies on India include two studies about the processes and results of administrative decentralisation in Kerala and one case study about India (Heller 2001; Tandon 2001; Venugopal and Yilmaz 2009). Three studies focused on the causality from administrative decentralisation to participation and accountability instead of the sorts of devolved administrative functions.

Studies about Indonesia and Philippines demonstrated detailed processes of administrative and fiscal decentralisation and the list of decentralised authority (Brodjonegoro and Asanuma 2000; Langran 2011; Sudhipongpracha 2013; Yu 2013). In Indonesia, national government granted extensive administrative authorities to subnational governments (i.e., public works, health management, education and cultural affairs, agricultural development, transportation, the management of manufacturing and trading activities, the management of investment, environmental matters, land management, the matters relating to cooperatives, and manpower management). Philippines also devolved the administrative authorities concerning health, agriculture, social services, environmental protection, and specified public works functions.

In Korea and Thailand, administrative decentralisation little increased subnational autonomy. In Korea, national government attempted to devolve administrative authority of public security, primary and secondary education, and social services (Kang 2006). Yet, as of 2016, subnational governments of Korea do not have any authority for public security, but have moderate powers for social policy, and extensive power for primary and secondary education. In the same vein, Thailand implemented administrative decentralisation; however, subnational autonomy is considerably restrained by supervision and audit from national government (Haque 2010; Sudhipongpracha 2013).

Fiscal decentralisation was implemented in five countries (China, Indonesia, Korea, Philippines, and Thailand). In China, national government had managerial motivations to achieve economic development via fiscal decentralisation (Skinner et al. 2003; Tsui and Wang 2004; Sheng 2007; Chien 2010). In Indonesia and Thailand, fiscal decentralisation took place in tandem with administrative and political decentralisation after the Asian Financial Crisis in 1997 (Brodjonegoro and Asanuma 2000; Silver 2001; Sudhipongpracha 2013). In Indonesia and Thailand, national government transferred fiscal resources by revenue equalisation systems instead of devolving taxing authority. Thus, subnational reliance on national government increased even after fiscal decentralisation (Silver 2001). In Thailand, national government still has a strong grip on subnational authority to allocate fiscal resources (Haque 2010). In Philippines, fiscal decentralisation was implemented after political decentralisation in 1987 and subnational government gained a high level of fiscal autonomy after decentralisation (Yu 2013). In Korea, fiscal decentralisation was implemented in the 1980s, 1995, and 2004 (Kang 2006; Kim 2013).

Studies about Bangladesh, India, Japan, and Taiwan did not mention when fiscal decentralisation took place, but the outcomes of fiscal decentralisation – subnational autonomy and equity – were investigated. Panday (2011) argued that subnational revenue autonomy in Bangladesh is not sufficient even after decentralisation. Studies about Japan mainly focused on the relation between fiscal decentralisation and intergovernmental politics (Jacobs 2003; Scheiner 2005). Papers about Korea and Taiwan examined the adverse consequence of incomplete fiscal decentralisation – soft-budget constraints – and subnational autonomy (Kim 2013; Kuo and So 2013).

In sum, firstly, political, administrative, and fiscal decentralisation reforms were implemented in the selected country. For political decentralisation, all countries except China and Japan implemented political decentralisation. In recent decades, in East and South Asia, the main driving forces of decentralisation reforms were grassroots democratisation movements. For instance, Bangladesh, India, Indonesia, Korea, and Philippines implemented political decentralisation; consequently, the extant appointed executive and legislative bodies were replaced with elected ones. In China, Taiwan, and Thailand, the direct elections for subnational executive and legislative bodies were layered into the extant appointment system. For administrative decentralisation, selected studies show that extensive administrative and fiscal decentralisation reforms were implemented in China, India, Indonesia, and Philippines. In addition, for countries including Korea and Thailand, administrative decentralisation was attempted, but little administrative authority transferred to subnational government. Yet, the studies about Bangladesh, Japan, and Taiwan did not mention administrative decentralisation. Five countries (China, Indonesia, Korea, Philippines, and Thailand) promoted fiscal decentralisation. Subnational fiscal autonomy increased after fiscal decentralisation in China and Philippines. In addition, Indonesia, Korea, and Thailand transferred fiscal resources via revenue sharing rather than transferring taxing authority which increased subnational fiscal dependency on national government.

Secondly, in the nine selected countries, the Asian Financial Crisis in the late 1990s provided momentum to start or accelerate decentralisation by challenging the capability of each country's incumbent government. In Indonesia and Thailand, administrative and fiscal decentralisation reforms were triggered by the 1997 Asian Financial Crisis. In order to remedy economic failures, Indonesia and Thailand promoted decentralisation reforms as there was belief that the 1997 Asian Financial Crisis was resulted from incompetence of the centralised governance. . In Japan, Korea, and Taiwan, the Asian Financial Crisis in 1997 advanced the speed and depth of the following administrative and fiscal decentralisation. Arguably, there is less evidence of neo-liberal influence on the administrative and fiscal decentralisation of Philippines (Langran 2011; Yu 2013). The types of decentralisation in selected nine countries are detailed in Table 4.10.

Table 4.10 Types of Decentralisation

	Administrative	Fiscal	Political
Bangladesh (Panday 2011)	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> 1976; the Local Government Ordinance From 1980, establishment and abolition of local self-governing system repeated according to who the Ruling Party
China (Lam 2010)	<ul style="list-style-type: none"> 1984 	<ul style="list-style-type: none"> In the middle of 1980s Recentralisation reform in 1994 	<ul style="list-style-type: none"> (Partially) For the lowest level of government
India (Tandon 2001)	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> 1993
Indonesia (Brodjonegoro and Asanuma 2000)	<ul style="list-style-type: none"> 1999 Public works, health management, education, and cultural affairs, agricultural development. 	<ul style="list-style-type: none"> 1999 	<ul style="list-style-type: none"> 1999
Japan	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> In the 1940s
Korea (Kim 2013)	<ul style="list-style-type: none"> 1995 2004 	<ul style="list-style-type: none"> In the 1980s 1995 2004 	<ul style="list-style-type: none"> 1951, stop 1961 Resume, 1991 - (local legislative body) 1995 - (local executive body)
Taiwan (Kuo 2013)	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> Not mentioned 	<ul style="list-style-type: none"> 1950, stop Resume, 1994
Thailand (Haque 2010; Sudhipongpracha 2013)	<ul style="list-style-type: none"> The 1997 decentralisation reform with substantial restraints (regulations and auditing) 	<ul style="list-style-type: none"> The 1997 decentralisation reform (revenue equalisation transfer) 	<ul style="list-style-type: none"> Not mentioned
Philippines (Langran 2011; Sudhipongpracha 2013; Yu 2013)	<ul style="list-style-type: none"> The decentralisation Act of 1967 (deconcentration) The Local Government Code of 1991 (devolution); Health, agriculture, social services, environmental protection, specified public works function including personnel management 	<ul style="list-style-type: none"> The Local Government Code of 1991 (shared tax) 	<ul style="list-style-type: none"> Local and municipal official election in 1988 under the new Constitution of Philippines which was ratified in 1987

Processes of Decentralisation

This section identifies institutional changes toward decentralised governance by the degree of change and causal mechanisms toward decentralised governance. Given that institutions are the results of political contestation amongst actors who have uneven power, causal dynamics which resulted in decentralised governance reflect actors and their relative power. In addition, unique situations of each country – within institutional and structural constraints and incentives – developed diverse causal mechanisms toward decentralised governance, and resulted in divergent processes in decentralisation reforms.

First, Rondinelli (1983) classified the degree of decentralisation as deconcentration, delegation, and devolution (See Chapter 3). Second, as typical dynamics of institutional changes, Mahoney and Thelen (2010: 15-16) presented four concepts based on whether new institutions coexist or replace existing institutions. *Layering* refers to adoption of some new components into the current institutional settings. *Conversion* means the current institution changes its role by taking new roles. *Displacement* refers that the existing rules are eliminated and new rules are introduced. *Drift* is the regulatory power of the existing rules are diminished or removed due to change of the social and political environment. Another causal mechanism to explain institutional changes is *diffusion* which means institutions and ideas which adopted in one organisation and country transfer to another place (Dolowitz and Marsh 1996). Pierson (2004) outlines how four major obstacles of institutional changes - coordination problems, veto points, asset specificity and positive feedback - engender different processes of institutional changes.

Except China, Taiwan, and Thailand, six countries transferred political decision-making authority to legally separate subnational government by introducing fully-fledged subnational elections – direct elections of subnational executives and legislatures. Political decentralisation in Bangladesh, India, Indonesia, Japan, Korea, and Philippines *displaced* the extant appointed subnational politicians by the elected ones. However, China, Taiwan, and Thailand layered direct elections for subnational executives and legislatures to the extant appointment systems. China introduced direct elections within the lowest subnational government in some provinces. Taiwan introduced direct elections of executives and legislatures in all layers of subnational government except direct-

controlled municipality. Thailand introduced direct elections of subnational politicians only in Bangkok and Pattaya.

Alongside political decentralisation, seven countries – except Japan and Thailand where fiscal decentralisation were not mentioned in selected papers – transferred fiscal authority to subnational government. Under the rationale of equalising fiscal disparity, most of countries increased intergovernmental fiscal transfers rather than transferring taxing authority. Therefore, fiscal decentralisation strengthened the layered intergovernmental revenue sharing system rather than displacing a centralised tax system to a decentralised one.

In nine countries, administrative decentralisation resulted in deconcentration, delegation and devolution. As India, Indonesia, and Philippines transferred administrative authority and responsibility to subnational government, the degree of administrative decentralisation is understood as *devolution* which transfers policy-making and managerial authority, and fiscal and delivery responsibility. As Japan, Korea, Taiwan, and Thailand transferred administrative responsibility but held administrative authority, the degree of administrative decentralisation is between *delegation and devolution*. Moreover, the degree of administrative decentralisation differed across policy areas. As Bangladeshi national government transferred little administrative authority, it understood as *deconcentration*. In China, national government *devolved* a significant level of regulatory authority to subnational government.

In conclusion, the analysis about processes of decentralisation demonstrates decentralisation did not directly result in decentralised governance. The impacts of decentralisation are diverse policy areas, (administrative, fiscal, and political) domains, and countries. What caused these diverse dynamics?

First, diverse driving forces of decentralisation bring about diverse dynamics and outcomes of decentralisation by shaping actors' preferences toward decentralisation. Actors with political motivations – democratisation and the establishment of political bases in subnational government – promoted political decentralisation. Actors with managerial motivations – enhance efficiency and the quality of public service – promoted administrative and fiscal decentralisation. As a whole, the idea of democratisation and grassroots democratisation movements play key roles to shape actors' favoured types of

decentralisation. The dynamics of decentralisation is the results of political contestation amongst actors with diverse ideas and uneven power resources.

Throughout democratisation, seven countries – except China and Japan – transferred decision-making power to subnational government. China did not implement political decentralisation and Japan implemented political decentralisation in the 1940s. Neoliberalism was disseminated to East and South Asia throughout out the Asian Financial Crisis. International institutions and donors also transferred neoliberalism to South Asian Countries by using conditional grant programmes. Neoliberalism gave national government rationale and to transfer public service delivery responsibility and subnational government rationale to ask fiscal decentralisation. Based on neoliberalism, the Chinese national government transferred regulatory authority to subnational government in order to facilitate provincial competition and achieve economic development.

Second, institutional and structural factors facilitated and constrained dynamics of decentralisation. Developmental state legacies – the hierarchical intergovernmental relation and solid national bureaucratic power – constrained institutional changes toward decentralised governance. In countries with the experience of authoritarian regimes, national politicians deterred political decentralisation and national bureaucrats and minimised administrative and fiscal decentralisation after political decentralisation. In addition, national government often retained robust control over the delegated or devolved administrative and fiscal authority. In Taiwan, subnational government is reluctant to exert their devolved fiscal power due political risks. Extensive administrative and fiscal authority was transferred in Indonesia and Philippines which have developed less centralised bureaucracy. As structural factors, economic crisis facilitated neoliberal decentralisation in Korea. However, unstable political system retarded all types of decentralisation in Thailand.

Third, national government often uses corruption, the lack of subnational capacity and fiscal disparity across subnational government as rationales to deter political, administrative, and fiscal decentralisation. In spite of fiscal decentralisation, national government in Indonesia, Korea, and Taiwan kept a centralised tax system and increase intergovernmental revenue sharing by arguing fiscal disparity across subnational

government. In Bangladesh and Thailand, national government stalled administrative and fiscal decentralisation with rationale of lacking subnational capacity and possible corruption. The degree of decentralisation is summarised in Table 4.11.

Table 4 .11 Degrees of Decentralisation

	Political	Administrative	Fiscal
Bangladesh (Panday 2011)	Fully-fledged	Deconcentration Delegation	Delegation
China	Partially (the lowest level)	Delegation Devolution	Delegation
India (Venugopal and Yilmaz 2009)	Fully-fledged	Devolution	Delegation
Indonesia (Silver 2001)	Fully-fledged	Delegation Devolution	Delegation
Japan (Jacobs, 2003; Sheiner 2005)	Fully-fledged	Deconcentration Delegation Devolution	Not mentioned
Korea (Kang 2006; Kim 2013)	Fully-fledged	Deconcentration Delegation Devolution	Delegation
Taiwan (Tsai et al. 2012; Kuo 2013)	Partially (except direct- controlled municipality)	Deconcentration Delegation Devolution	Delegation
Thailand (Haque 2010; Sudhipongpracha 2013)	Partially (Bangkok and Pattaya)	Deconcentration Delegation Devolution in Bangkok and Pattaya	Not mentioned
Philippines (Lesgapi 2001; Yu 2013)	Fully-fledged	Devolution	Delegation

Consequences of Decentralisation

Regardless of what drives decentralisation reforms, decentralisation generated significant repercussions from resource mobilisation and allocation to intergovernmental balance of power and the quality of public services (Litvack et al. 1998). Here, diverse consequences of decentralisation are outlined in terms of subnational autonomy, accountability, quality, and equity of public services, and citizen participation.

Subnational Autonomy

Decentralisation and subnational autonomy are investigated in nine countries (Table 4.12). As an outcome of decentralisation, the change of subnational autonomy is highly related to actors' strategic choices, institutional arrangements, and structural factors (Pierson 2004). Based on two criteria, the change of subnational autonomy is categorised into four groups. The two criteria are whether decentralisation reforms contain all of administrative, fiscal, and political dimensions; and the extent to which subnational governments became independent from central government after decentralisation (Rondinelli et al. 1983; Wolman 1990).

Rarely significant changes in subnational autonomy were found after decentralisation in Group 1 (Bangladesh and Thailand). Panday (2011: 217) argued that subnational autonomy did not increase in Bangladesh because national government attempted political decentralisation to forge robust subnational partisan base camps. Although *the Local Government Commission* was established as an apparatus to promote decentralisation, national government firmly controlled the Commission. The Commission did not establish a comprehensive plan nor implement public consultations. Overall, decentralisation in Bangladesh had a significant level of planning and implementation deficits based on national government's inappropriate political purposes. Moreover, national government did not pay sufficient endeavour to adjust conflicted interests.

Table 4.12 Subnational Autonomy after Decentralisation

	LOW (Group 1)	MEDIUM (Group 2)	HIGH (Group 3)
Bangladesh	o		
China (Group 4)	o (political)	o (fiscal)	o (administrative)
India			o
Indonesia			o
Japan		O	
Korea		O	
Taiwan		O	
Thailand	o		
Philippines			o

Thailand demonstrates a similar case. Although decentralisation was initiated by grassroots public with the idea of democratisation, Thailand did not implement political decentralisation (Sudhipongpracha 2013). Instead, the Thai national government established the National Decentralisation Committee – consisted of deputies from local governments, government agencies, and experts – based on the 1997 Constitution and the 1999 Local Government Organisation Act. Although the Committee proposed an ‘Action Plan’ including specific administrative and fiscal reforms, administrative and fiscal authority did not transfer as planned (Haque 2010). Overall, in Thailand, political decentralisation did not take place and administrative and fiscal decentralisation was minimised (Haque 2010: 682).

The hierarchical central-local relationship, which established during a long state building history of Thailand, was pointed out as a cause of the retarded decentralisation (Haque 2010; Sudhipongpracha 2013). Furthermore, unstable political circumstance and socially embedded feudal structure – the feudalistic patron-client relations and family ties – the constrained the development of decentralised governance in Thailand (Haque 2010). In spite of decentralisation, subnational fiscal dependency on national government did not decrease in Thailand (Haque 2010; Sudhipongpracha 2013). In sum, the failure of political decentralisation and institutional legacies of centralised intergovernmental relationship precluded Thailand from developing decentralised governance.

Countries in Group 2 (Japan, Korea and Taiwan) have been substantially increased subnational autonomy though not fully developed. Regarding decentralisation and subnational autonomy in Japan, two divergent perspectives are present. Hill and Fujita (2000) argued that neo-liberal administrative decentralisation reform from the 1980s did little succeed. During a developmental period, Japan developed a hierarchical central-local relation in order to maximise resource mobilisation for economic development. In addition, the Japanese intergovernmental system maintained the value of equity – standardisation in service provision and fiscal distribution – across subnational governments. In the perspective of gradual institutional changes, decentralisation prior to 2000 in Japan was *drifted* (Thelen and Mahoney 2010) as there was little change in intergovernmental balance of power after decentralisation in Japan (Hill and Fujita 2000). In the same vein, Scheiner (2005) argued that the ruling LDP had electoral success in

subnational government by using the centrally controlled fiscal system and strong political parties' influence on national budget.

On the other hand, Jacobs (2003) claimed that prefectural autonomy is diverse across subnational governments because it depends on the population size, employment induction power, fiscal capacity, and historical importance of each prefecture in spite of the same legal status. He argued that Japan is a developmental state but not a centralised state anymore because prefectural government wields substantial autonomy on its municipal government. To summarise, Japan is moving from centralised to decentralised governance. However, legacies of the developmental state – the centralised fiscal system and the hierarchical national-subnational relationship – precluded Japan from changing fully-fledged decentralised country.

Although popular elections of subnational politicians were introduced during the 1990s, the central-local relation in Korea did not change significantly (Kang 2006). Thus, administrative and fiscal authority of subnational government remained between deconcentration and delegation up to early 2000s. In 2004, the Roh MooHyun Administration promoted a comprehensive decentralisation plan including extensive administrative and fiscal reforms (Kang 2006). Yet, this attempt changed centralised Korean governance to decentralised one as the plan encountered substantial opposition from central line ministries and the opposition party. Moreover, throughout economic crises in 1997 and 2008, subnational government became more dependent on fiscal resources from national government (Chang 2010). Kim's (2013) quantitative analysis demonstrates that subnational government in Korea prefers increasing national subsidies by utilising their political capacity rather than raising their own source revenues.

In sum, in spite of political decentralisation after democratisation and President Roh MooHyun's strong will, subnational autonomy in Korea increased within a limited extent. National bureaucrats attempted to minimise decentralisation as decentralisation means retrenchment of their authority. Subnational government did not prefer decentralisation of taxing authority to decentralisation of expenditure authority. Fiscal dependency of subnational government increased throughout economic crises in 1997 and 2008. Thus, centralised governance of Korea did not fully change into decentralised one.

Regarding Taiwan, Kuo and So (2013) examined why subnational revenue autonomy did not increase substantially after decentralisation. Similar to Korea, under inter-jurisdictional competition, Taiwanese subnational governments tend to ask the increase of intergovernmental transfers from national government in order to avoid raising local taxes and user fees. Thus, subnational autonomy political decentralisation did not increase subnational revenue autonomy significantly.

India, Indonesia, and Philippines implemented all three types of decentralisation and the selected papers generally acknowledged that subnational autonomy in three countries increased substantially. Studies about India contain contradicting results of decentralisation. On the one hand, studies agreed that political autonomy increased after decentralisation. For instance, local governments in Kerala Panchayat gained a high degree of autonomy after decentralisation in 1991 (Heller 2001; Venugopal and Yilmaz 2009). The substantial increase of subnational autonomy resulted from long historical demands for local accountability in Kerala (Heller 2001) and bottom-up processes of decentralisation and debureaucratisation in India (Tandon 2001). On the other hand, in spite of decentralisation, the Indian national government held fiscal supervision authority such as auditing and subnational government had to report its financial status to national government (Gaiha and Kulkarni 2002). In sum, generally subnational autonomy increased in India because decentralisation was initiated by civil societies, planned by an independent standing committee, and upheld by international donors (Heller 2001; Tandon 2001). Yet, weak subnational capacity and regional disparity of subnational autonomy are pointed out as main issues to be addressed (Tandon 2001; Imai and Sato 2012).

Studies about Indonesia demonstrate substantial increase of autonomy in the national and subnational levels (Brodjonegoro and Asanuma 2000; Firman 2008; Hunter 2004; Lewis 2005). In rural Lombok and Jakarta Metropolitan Area, subnational autonomy increased after decentralisation (Hunter 2004; Firman 2008). Yet, concerning taxing authority, there are conflicting conclusions. On the one hand, fiscal decentralisation in Indonesia increased subnational taxing authority (Lewis 2005). On the other hand, subnational government in Indonesia became more dependent to national government

under new decentralised government allocation system (DAU) introduced in 1999 rather than under the previous Inpres system (Silver et al. 2001).

Actors in Indonesia – national government, subnational government, political parties, and civil society – agreed and cooperated for wider transfers of central power to subnational government. However, three out of five papers about Indonesia discussed weak subnational governance and lacking readiness as issues to be addressed (Hunter 2008; Firman 2008; Lewis 2005). Regarding the Indonesian decentralisation, commentators often advised that it should be deliberately designed, gradually implemented, and more centrally managed (Brodjonegoro and Asanuma 2000; Firman 2008).

Regarding Philippines, five out of six studies argued that subnational autonomy increased after decentralisation (Bossert and Bauvais 2002; Jimenez 2009; Legaspi 2001; Sudhipongpracha 2013; Yu 2013). All the studies argued that Local Government Code in 1991 devolved decision making authorities to local governments and, consequently, increased subnational autonomy substantially. In the same vein with Indonesia, weak subnational governance, lacking organisation capacity, and corruption were pointed out as challenges involved in the Filipino decentralisation (Jimenez 2009; Langran 2001; Yu 2013). As powerful mobilisation from civil society linked democratisation was initiated decentralisation reforms, national legislative and executive ought to comply with the firm demands from below. Therefore, little implementation deficits were found in the Filipino decentralisation reforms.

In a nutshell, in spite of issues to be addressed such as weak subnational governance, lacking organisational capacity, and possible outcomes of inefficiency and corruption, the selected literature argued that decentralisation resulted in a substantial degree of subnational autonomy in India, Indonesia, and Philippines.

Lastly, the case of China illustrated a mixed picture of subnational autonomy. Whilst China is little decentralised politically, China has a high degree of administrative decentralisation and middle degree of fiscal decentralisation. The Chinese national government's political monopoly has negative impact on the development of subnational autonomy. Tsui and Wang (2004) challenge the 'market preserving federalism' claim, which regards China as a *de facto* federal state, by illustrating the negative impact of Chinese cadre management system to subnational autonomy. Sheng (2007) also shows

how the Chinese political centre exploits its personnel monopoly power in order to control well-off subnational governments' autonomy. Chien (2010) also demonstrates that the Chinese subnational government is politically dominated by the Chinese Communist Party whereas it has extensive administrative and fiscal autonomy. Lam (2010) acknowledges the tension between provincial government and national government over fiscal resources and centralised personnel management. Ghai and Woodman (2009) illuminates that the five autonomous regions in China have less legislative power rather than ordinary provinces.

Unlike centralised political power, in China, subnational government substantially advanced administrative authority. Skinner et al. (2003) insisted that the regulatory role of subnational government increased in health care, education, and environmental protection policies after administrative decentralisation. In the fiscal dimension, Niu (2013) argues that, during past two decades, fiscal autonomy of sub-provincial government increased but fiscal autonomy of provincial government decreased. Song (2013) insists that the 1994 tax reform reduced subnational fiscal autonomy sharply.

In sum, as political decentralisation did not implement, the Chinese national government controlled the timing and degrees of decentralisation by its personnel management power. Although provincial government in China has substantial administrative and fiscal authority, national government's political power to appoint governors enables national government to recentralise revenue authority in 1994.

Quality of Public Service

It is not evident that decentralisation enhances quality of public service. A cross-regional comparative study by Dyer's (2005) demonstrates decentralisation had divergent outcomes in the quality of public service across districts in one subnational government. After the Indian government introduced district institutes of education and training (DIETs), the quality of public service was advanced in two out of six districts (Surat and Indore). Dyer argues that decentralisation and its outcomes should be understood within contexts of subnational capacity, good governance, and trust.

In addition, decentralisation did not increase the volume of social policy provision (Chien 2010; Lam 2010; Sheng 2007; Wang et al. 2012). Wang et al. (2012) found that

compulsory education investment decreased after province gained further fiscal authority after a three-layered province-city-county system was shifted to a two-layered province-county system. Yu (2013: 200) argued municipalities in Philippines decreased investment about social programmes, including basic livelihood assistance, youth development programmes, services for disabled people. However, Hill and Fujita (2000: 658) showed, in Japan, welfare services, especially for the elderly, was augmented rather than diminished after decentralisation.

Accountability toward Citizens

Decentralisation does not always increase subnational politicians' accountability toward the citizens. Case studies about India demonstrate that decentralisation does not necessarily result in a better performance in poverty alleviation (Gaiha and Kulkarni 2002; Imai and Sato 2012). Rather, decentralisation formulated susceptible environment to corruption and brought about adverse outcomes to increase poverty amongst vulnerable population groups (Imai and Sato 2012). In some regions, political decentralisation resulted in a collusion between elected local politicians and local elites instead of empowering people and enhancing citizen participation (Gaiha and Kulkarni 2002; Imai and Sato 2012).

Chien (2010) described the lack of accountability in China, after decentralisation, as 'asymmetric decentralisation' with no downward accountability but only with upward accountability. Other studies investigate, under lacking downward accountability, the causality between unfunded administrative mandates imposed by national government and the increase of local government's off-budget financing and arbitrary charges in China (Niu, 2013; Tsui and Wang 2004). Haque (2010) showed fiscal decentralisation, under the centralised CEO-governor appointment system, resulted in corruption and cronyism.

Alongside China and Thailand, subnational accountability toward citizens did not enhance in Taiwan as subnational politicians did not use transferred taxing authority (Kuo and So 2013: 341). Tsai et al. (2012) elucidated, from 1993 to 2007, decentralisation did not change social expenditure in the subnational level, but the size of subnational social expenditure depends on fiscal transfers from national government. In Indonesia, due to lacking transparency and accountability, decentralisation altered health centres run by

subnational government into profit chasing centres and neglected preventive health care for the poor (Kristiansen and Santoso 2006).

As a positive example, in Kerala and Indonesia, decentralisation increased subnational accountability toward citizens. Venugopal and Yilmaz (2009) shows that local government of Kerala in India held a high level of accountability toward citizens after decentralisation. Lewis (2005) evaluated that the Indonesian post-decentralisation subnational spending was responsive to subnational needs, albeit subnational government was partly captured by subnational elites.

Equity of Public Service

The selected literature provides a consistent message that decentralisation exacerbated regional disparity in public service provisions. Studies about China demonstrate that decentralisation increased regional inequality. Brixi et al. (2013) argue that the huge inequalities of health outcomes in China are attributed to its decentralised health care system. Chien (2010) also discussed that decentralisation had a favourable impact on national economic development but had a negative impact on unequal development across counties. Skinner et al. (2003) argued that regional inequality in China was created because devolved regulatory power was exerted diversely across local government. Song (2013) demonstrates that fiscal recentralisation reform in 1994 relieved fiscal disparity across provinces.

In both Indonesia and Korea, decentralisation increased regional disparity and increased fiscal reliance upon central government. In the case of Indonesia, fiscal decentralisation increased horizontal fiscal imbalance among local governments because the main sources of subnational revenues are natural resource taxes. Thus, deprived subnational government became more reliance on fiscal transfers from national government (Brodjonegoro and Asanuma 2000). In Korea, subnational fiscal capacity did not increase after political decentralisation as national government increased ear-marked subsidies more than increased revenue sharing and transferred taxing authority (Kim 2013).

In Philippines, decentralisation created regional disparity. Langran (2011) maintains a pessimistic position toward decentralisation of health care system because weak governance of the Filipino politics – such as patronage, elite capture, and corruption – did

not eliminated by decentralisation. Moreover, decentralisation engendered the mismatch of resources and responsibilities and, consequently, resulted in recentralisation of tertiary hospitals and hospital closures in some regions (Bossert and Beauvais 2002; Langran 2011). Yu (2011) also demonstrated decentralisation engendered unequal social service provisions across municipalities in Philippines. Some municipalities gave up delivering devolved social programmes – livelihood assistance, youth welfare services, services for the disabled, supplemental feeding, and skills development and job placement – because of lacking financial resources (Yu 2013: 200).

Citizen Participation

Due to excluded articles related citizen participation, a few papers discuss relationships between decentralisation and citizen participation. Decentralisation increased citizen participation in India, Korea, and Philippines (Bossert and Beauvais 2002; Imai and Sato 2012; Kang 2006; Langran 2011; Venugopal and Yilmaz 2009). After decentralisation, Kerala local governments in India gained a high degree of citizen participation in their fiscal planning (Venugopal and Yilmaz 2009). Decentralisation promoted a wider participation of the non-land owners in poverty alleviation program (i.e. Rural Public Works) in Madhya Pradesh of India (Imai and Sato 2012). In Korea, decentralisation enhanced citizens' participation in decision-making processes. For instance, Korea introduced a local participatory budgeting system in 2004 and a local executive oust system in 2006 (Kang, 2006). Decentralised health care system in Philippines granted ample opportunities of citizen participation as representatives of sectoral institutions and NGOs (Bossert and Beauvais 2002; Langran 2011). Yet, in Bangladesh and Thailand, decentralisation did not advance citizen participation in decision-making processes in subnational government (Haque 2010; Panday 2011).

Conclusion

In this section, the consequences of decentralisation were explored in terms of subnational autonomy, quality of public service; accountability and equity of social policy, and citizen participation (see Table 4.13).

After decentralisation, subnational autonomy did not always increase in the selected nine countries. Whilst subnational autonomy hugely increased in India, Indonesia, and

Philippines, there were no significant advancement of local autonomy in Bangladesh and Thailand. In Japan, Korea, and Taiwan, after decentralisation, local autonomy increased to a medium degree. In China, subnational political autonomy does not change at all whilst their administrative and fiscal authority increased significantly.

Table 4.13 Positive and Negative Consequences of Decentralisation

	Positive	Negative
Subnational autonomy	<ul style="list-style-type: none"> • India, Indonesia, Philippines 	<ul style="list-style-type: none"> • Bangladesh, Thailand
The quality of public service	<ul style="list-style-type: none"> • India (Teachers' quality) 	<ul style="list-style-type: none"> • China (compulsory education) • Japan (programmes for the elderly) • Philippines (social programmes)
The accountability toward citizens	<ul style="list-style-type: none"> • India (Kerala) • Indonesia 	<ul style="list-style-type: none"> • China • India (Poverty Alleviation policy) • Indonesia (health service) • Taiwan (welfare expenditure) • Thailand
The equity of public service	-	<ul style="list-style-type: none"> • China (health, education) • Philippines (health care, social welfare)
Citizen participation	<ul style="list-style-type: none"> • India (poverty alleviation programme) • Korea (fiscal decision making) • Philippines (health care) 	<ul style="list-style-type: none"> • Bangladesh • Thailand

The relation between decentralisation and the quality of public service demonstrated both positive and negative evidence. In India, after decentralisation, the quality of poverty alleviation policy was not improved whilst the quality of teachers improved (Dyer, 2005; Gaiha and Kulkarni, 2002; Imai and Sato, 2012). In China, fiscal decentralisation resulted in the decrease of compulsory education expenditures (Wang et al., 2012). Due to the limitation of fiscal resources, devolved social welfare programs were not provided in some regions in Philippines (Yu, 2013).

The relation between decentralisation and subnational accountability was also indecisive. While decentralisation was not directly linked to enhancement of subnational accountability in China, Indonesia, Thailand, and Taiwan (Chien, 2010; Haque, 2010; Kuo

and So, 2013; Lam, 2010; Niu, 2013; Sheng, 2007, Tsai et al., 2012; Tsui and Wang, 2004), decentralisation in Kerala government in India increased its accountability toward citizens (Venugopal and Yilmaz, 2009).

There was a distinct tendency that decentralisation of health care systems worsened the equity of health care resources and health outcomes in China and Philippines (Brix et al., 2013; Bossert and Beauvais, 2002; Langran, 2011). The relation between decentralisation and citizen participation is also inconsistent. In India, Korea, and Philippines, decentralisation grants wider opportunities for citizens' participation in decision-making processes in subnational government (Bossert and Beauvais, 2002; Imai and Sato, 2012; Kang, 2006; Langran, 2011). In Bangladesh and Thailand, there was no substantial change in citizens' participation (Haque, 2010; Panday, 2011).

CONCLUSION

Summary of the Chapter

This chapter outlines empirical evidence about decentralisation from South and East Asia. In the first section, papers were selected for this systematic literature review. Within six electronic databases regarding politics, and social policy and social work, a total 928 potentially relevant papers were selected by using key terms of decentralisation, subnational government, and subnational autonomy. After four stages screening, a total of forty papers were remained.

The forty selected papers include China (12 papers), India, Indonesia, and Philippines (6 papers, respectively), Japan and Korea (3 papers, respectively), Taiwan and Thailand (2 papers, respectively), and Bangladesh (1 paper). Four papers are cross-country comparative studies. While 28 papers are a single country case study, 12 papers are a single region or cross-regional comparative studies in one country.

Majority of papers described decentralisation processes and outcomes. Six papers investigated decentralisation processes and outcomes with theoretical frameworks including rational choice (i.e. principle and agent theory and fiscal federalism) and historical institutional approaches (i.e. Falleti's sequential theory of decentralisation). Methodologically, 29 papers took qualitative and 11 papers took quantitative approaches.

This systematic literature review illuminates driving forces, actors, political and historical institutions, and types, degrees, and outcomes of decentralisation in nine selected East and South Asian countries. The main driving forces of decentralisation were political motivation (i.e. democratisation) and managerial motivation (i.e. neoliberalism). Decentralisation in China was triggered by neoliberalism. Decentralisation in Bangladesh, Taiwan and Philippines was promoted by grassroots democratisation movements. In India, Indonesia, Korea, Thailand, both political and managerial motivations were promoted decentralisation reforms. Ethnic and religious conflicts also encouraged decentralisation reforms in Indonesia and Philippines.

Actors found in this systematic literature review were national, intermediate, and local governments, ruling and opposition parties, civil society, and international organisations and donors. Two types of institutions were found in the nine selected countries: political institutions (i.e. the executive-legislative relation) and historically and socially embedded institutions (i.e. the developmental state legacy, the colonial legacy, the authoritarian regime legacy, the centralised Kingdom legacy). In the case of East and Asian countries, the influence of developmental state legacy and authoritarian regime legacy were the most powerful constraints to shape decentralisation processes.

Across the nine countries, types and degrees of decentralisation are varied. As a whole, decentralisation layered decentralised governance into centralised governance rather than replacing centralised governance. The degree of political decentralisation is relatively higher than administrative and fiscal decentralisation. Grassroots democratisation movements and the idea of democratisation play crucial roles in decentralisation in eight countries except China. In China, subnational government has a substantial degree of administrative and fiscal authority.

Lastly, it is apparent that decentralisation does not have a linear causality to its outcomes of subnational autonomy, the quality of public service, accountability of subnational government, and citizen participation. Yet, decentralisation always increased regional disparity of public service.

Decentralisation increased subnational autonomy substantially in India, Indonesia, and Philippines. Decentralisation did not change subnational autonomy in Bangladesh and Thailand. In general, subnational autonomy did not increase when national government

had dominant power and national bureaucracy is strong. In contrast, subnational autonomy increased significantly when subnational actors had dominant power and subnational bureaucracy or grassroots public are strong. In sum, the change of subnational autonomy was closely linked to dominant actors and institutional factors.

Decentralisation does not have consistent impacts on the quality of public service. In India, decentralisation enhanced the quality of teachers in some regions. In China, Japan, and Philippines, decentralisation decreased the volume of social service provision.

Decentralisation brought about inconsistent impact on subnational accountability toward citizens. Studies about Kerala government and Indonesia demonstrate decentralisation increased subnational accountability toward citizens (Lewis 2005; Venugopal and Yilmaz 2009). However, due to weak subnational governance, decentralisation did not increase accountability of subnational accountability in India, Indonesia, Taiwan, and Thailand.

In India, Korea, Philippines, decentralisation increased citizen participation in policy-making processes of subnational government. However, in Bangladesh and Thailand, decentralisation did not increase citizen participation in subnational government.

Evidence from China and Philippines show that decentralisation increased regional disparity of health care, education, and social programmes.

Implications of Literature Review

From the 40 selected papers, research about East Asia and South Asia has divergent research trends. A majority of papers concerning South Asian countries, in spite of its descriptive limitation, focused on the establishment of '*good governance*' in the subnational level (Dyer, 2005; Imai and Sato, 2012; Jimenez, 2009; Kristiansen and Santoso, 2006; Langran, 2011; Tandon, 2001). '*Good governance*' refers that the process for making and implementing decision with accountability, transparency, predictability, and public participation (UNDP, 1997). Without good governance, decentralisation seldom achieves positive outcomes – enhancing autonomy, accountability, quality, equity, and citizen participation – but merely transfers the fields of corruption from national to subnational government.

Evidence from South Asia demonstrates that decentralisation resulted in positive outcomes when subnational government has '*good governance*' to manage decentralised

political, administrative, and fiscal authority and responsibility. In India, Indonesia, and Philippines which achieved a high degree of subnational autonomy, decentralisation often brought about adverse outcomes as decentralisation merely transferred national elites' authority to subnational elites (Gaiha and Kulkarni, 2002; Imai and Sato, 2012; Jimenez, 2009; Kristiansen and Santoso, 2006; Langran, 2011). Exceptionally, Kerala government in India had good governance to manage transferred authority and responsibility with accountability, transparency, predictability, and public participation (Venugopal and Yilmaz, 2009). Strong radical democratic movements including active female participation in Kerala established good governance to be ready for decentralisation.

In the same vein, several papers argue that implementation of decentralisation is more important than planning of decentralisation (Dyer, 2005; Haque, 2010; Sudhipongpracha, 2013). This argument drew more attention on the interaction between actors with uneven power resources and contexts such as political and historical institutions (i.e. the executive and legislative relation, a centralised bureaucratic legacy, and inter-subnational fiscal disparity). Dyer's (2005: 151) regional comparative study in India shows that decentralisation plans should contain the newly introduced decentralised institutions, the rearrangement of current institutions, and the implementation plans including building subnational capacity.

On the other hand, papers about East Asia described the current status of intergovernmental relations and sought an ideal design of intergovernmental relations. As a developmental state legacy, subnational government in Japan, Korea, and Taiwan has bureaucratic capacity to manage decentralised administrative and fiscal authority. After democratisation, subnational government has substantial political authority. Thus, studies about East Asia focus on how to improve obscure intergovernmental division of administrative and fiscal authority under advanced political decentralisation.

Future Research Avenues

Several missing issues need to be addressed in spite of ample discussions within selected papers. First, majority of the selected papers adopted descriptive approaches rather than theoretical approaches including causality. Future research may take advantages from

more concrete theoretical frameworks to elucidate detailed causes and mechanisms toward decentralised governance.

Second, selected papers consist of a majority of single country studies with a few comparative studies. Comparative studies own advantages to trace causal mechanisms by discovering casual similarities and differences (Mahoney and Rueschemeyer, 2003).

Although there were a few cross-regional and cross-country comparative studies, there were no cross-sectoral comparative studies in the selected papers. Given that political dynamics differ across sectors (i.e. education, healthcare, and social assistance), cross-sectoral comparative studies may add more insights to understand dynamics and consequences of institutional changes toward decentralisation.

Third, selected papers acknowledged that institutions play a key role in the processes and outcomes of decentralisation. Historically and socially embedded institutions (i.e. the developmental state legacies and strong centralised bureaucracy) were included as main examples of institutions. Yet, selected papers give less attention to political institutions (i.e. the legislative-executive relation and election systems), structural factors (i.e., economic status and demographic changes), partisan ideologies (i.e., progressive and conservative), and tax systems (i.e., direct taxes and indirect taxes).

Fourth, few paper regarded decentralisation as an institutional change. Only Dyer (2005) understood decentralisation as an institutional change and underlined a comprehensive approach to capture each agency's role, the change of agency's capacity, and interactions amongst actors. Furthermore, few studies adopt a comprehensive approach to consider interactions amongst agency, institutions, structures, and ideas.

In conclusion, this systematic literature review shows that, regarding decentralisation, East Asia and South Asia have divergent issues to be addressed. In South Asia, the impelling issue is to establish good governance in subnational government in line with decentralisation. In East Asia, the authority and responsibility assignment between national and subnational government is the main issue to be addressed. Given that decentralisation has significant repercussions for public service delivery, research about decentralisation and its consequences is required to take more theoretical and comprehensive approaches to elucidate causes and mechanisms toward decentralised governance.

Chapter 5 Case Selection and Methodology

INTRODUCTION

This chapter introduces the research design, methods, and data collection processes. Following this introduction, theoretical and methodological considerations about causal mechanisms are outlined. As methodological approaches of the thesis, process-tracing methods, comparative historical analysis, and cross-case comparative study are presented. The third section introduces case selection strategies and the overall research design of empirical studies of the thesis. The final section overviews primary and secondary data collection processes and results, then, discusses advantages and disadvantages of collected data.

CAUSAL MECHANISM, PROCESS-TRACING, AND HISTORICAL COMPARATIVE ANALYSIS

This section outlines a methodological approach which flows from the earlier theoretical framework (Chapter 3). First, causal mechanisms are defined and exemplified. Second, as main methods of the thesis, three variants of process-tracing methods, comparative historical analysis, and cross-case comparative study are overviewed.

Understanding Causal Mechanisms

Social scientists have been seeking for the best way to understand social inquiries. The understanding often refers to the clarification of causality between the observed factors and social outcomes. As Mahoney (2001) recognises twenty-four definitions of causal mechanisms in social science, there are controversies on the ontology of causal mechanism, either deterministic or probabilistic, as well as the observability of causal mechanisms (Beach and Pedersen 2013; Bennett and Checkel 2015).

This thesis takes the definition of causal mechanisms informed by George and Bennett's (2005: 137): '*ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities*'. As a human is not able to specify every detail from causes to outcomes, we cannot capture deterministic features of causal

mechanisms. Thus, this thesis takes a probabilistic position regarding the ontology of causal mechanisms. In addition, the *unobservable* component of causal mechanisms, based on George and Bennet's (2005) definition, demonstrates that causal mechanisms can be observed as well as inferred in a given case.

Regarding types of causal mechanisms, causal mechanisms compass across material and ideological factors. The thesis acknowledges Parsons' (2007) framework of *structural, institutional, ideational and psychological* dimensions of causal mechanisms. *Structural causality* deals with actors' social and political actions driven by exogenous facilitators and constraints such as population changes. In contrast to externally given structural factors, *institutional causality* is composed of human-made facilitators and constraints such as election rules. *Ideational causality* see political and social outcomes as highly related to actors' interpretations on the given issues and the world. Although not ignoring the causal mechanisms between structural and institutional factors to social outcomes, the ideational accounts give explanations when actors' actions which are not compatible with material interests and institutional constraints. *Psychological causality* focuses on the interaction between pre-existing mental regulations in individuals which anchor their behaviours and structural, institutional, ideational causal mechanisms.

In the same vein, George and Bennett (2005) argue that causal mechanisms are observed and inferred from *physical, social, or psychological processes*. Similarly, Jacobs (2015) distinguishes material and ideational mechanisms. Material factors involved in causal variations are '*the objective, material parameters of actors' choice situations*' such as electoral interests. In contrast, ideational factors related to causal variations are '*the content of actors' cognition*' such as normative commitment (Jacobs 2015: 4).

Academics generally agreed that the same agency does not have the same social outcomes under different contexts, although relative power between agency and structure is considered diversely based on researchers' ontological and epistemological stances. For instance, George and Bennett (2005: 137) argue that each type of causal processes is triggered by 'agents with causal capacities'. Any individual, public and private organisations, civil societies, national and supranational entities can be causal agents if they hold the capacity to maintain or change current situations. Causal agents may exert

and transfer their causal capacities, in forms of 'energy, information or matter', under *a certain context or condition* (George and Bennett 2005: 137).

Concerning contexts, Falleti and Lynch (2009) also argue that mobile parts of causal mechanisms may be distinguished from immobile context-specific parts. Hedstrom and Swedberg (1998: 22) present a useful analytical framework to deal with causal mechanisms in context. They distinguish causal mechanisms of four types: macrolevel mechanisms, situational mechanisms and transformational mechanisms in between macro and micro levels, and action-formation mechanisms at the microlevel. In sum, adequate considerations on causal mechanisms within given contextual factors contribute to test and develop a generalizable middle range theory.

Time is an overarching concept when investigating causal mechanism. Pierson (2004: 81) demonstrates four types of causal mechanisms in time: short forces – short outcome (i.e., tornado), short forces – long outcomes (i.e., extinction), long forces – short outcomes (i.e., earthquake), and long forces – long outcome (i.e., global warming). Falleti and Mahoney (2015: 212-215) also distinguish the analytical units based on temporality and contextuality. For example, an *event* of a happening in specific space and time is distinguished from an *occurrence* of a non-comparative special happening. A *sequence* of temporally ordered series of events in a bounded context is different from a *process* of outstanding type of sequence belonging to a single activity. Furthermore, Falleti and Mahoney (2015: 216) divide *a sequence* into *ordered sequences* with no specific pace and *paced sequences* with slow and fast pace. If a sequence consists of one activity, the sequence is known as processes: *self-reinforcing processes* when the initial outcome increases and *reactive processes* when the initial outcome decreases with *time*. Self-reinforcing processes are again divided in *continuous, self-amplifying, and self-eroding processes* with *time*.

In conclusion, this thesis aims at tracing probabilistic and (un) observable causal mechanisms to diverse degree of change in subnational autonomy. *Structural, institutional, ideational and psychological* factors at macro and micro levels are traced within temporal considerations. As Mahoney (2000) argues, combining separately developed sequences is useful to identify a broader picture of causal mechanisms and find a *conjuncture*.

Process-Tracing and its Three Variants

Concerning how to probe causal mechanisms, George and Bennett argue that *'if we are able to measure changes in the entity being acted upon after the intervention of the causal mechanism and in temporal or spatial isolation from other mechanisms, then the causal mechanism may be said to have generated the observed change in the entity'* (2005: 137). The task of isolating observed or inferred causal mechanisms from other mechanisms demands a researcher to identify the interests, ideas, institutions, and structure and their interactions in time and space. Beach and Pedersen (2013) present 'process-tracing methods' as the isolating process, which distinguishes causalities from correlations.

'Process tracing' refers to *'the examination of intermediate steps in a process to make inferences about hypotheses on how that process took place and whether and how it generated the outcome of interest with histories, archival documents, interview transcripts, and other sources'* (Bennett and Checkel 2015: 6). Although process tracing has long been regarded as a single research method (George and Bennett 2005; Checkel 2006), recently Beach and Pedersen (2013) achieved greater theoretical and methodological refinement by classifying process-tracing into three variants of theory-testing, theory-building, and explaining-outcomes process-tracing. The three variants are distinctive from one another in terms of when to be adopted, what aims to trace, how to understand causal mechanisms, and how to make inferences (Beach and Pedersen 2013: 21).

Theory-testing process-tracing adopts existing theories or plausible hypotheses and tests whether the hypothesized causal mechanisms are observed or inferred in a case of interest or not (Beach and Pedersen 2013: 15). Theory-testing process-tracing aims at updating the degree of confidence by confirming the presence of the theorised causal mechanisms. Thus, theory-testing process-tracing takes a deductive inference: first, conceptualising causal mechanisms based on extant or plausible hypotheses; second, operationalising the theorised causal mechanisms in to observable manifestations; finally, confirming the presence or the absence of the theorised causal mechanisms with presence and absence empirical evidence (Beach and Pedersen 2013).

Theory-building process-tracing aims at developing theories on causality that can apply beyond a single case (Beach and Pedersen 2013: 16, 154). Theory-building process-tracing is conducted when there is a correlation between independent variables and outcomes, but clear causal mechanisms are not known; otherwise, when outcomes are observed but the causes are not known (Beach and Pedersen 2013). Thus, theory-building process-tracing undergoes inductive inferences: starting from collecting data, inferring presence of evidence, then, inferring the presence of causal mechanisms (Beach and Pedersen 2013).

Finally, *explaining-outcomes process-tracing* aims at providing a minimally sufficient explanation about causal mechanisms in a specific case (Beach and Pedersen 2013: 18, 156). Explaining-outcomes process-tracing focuses on in-depth study of a specific case rather than updating an existing theory or building a generalizable theory. Hence, the explaining-outcomes method traces systematic and case-specific mechanisms by using inductive and deductive inferences iteratively. Whereas the theory-testing method investigates the presence or the absence of plausible causal mechanisms and the theory-building method looks for underlying causal mechanisms from observed and inferred facts, the explaining-outcome method intends to develop a 'minimally sufficient explanation' to understand the causality of a given case (Beach and Pedersen 2013: 19, 21).

Four Tests to Infer the Presence of Causal Mechanisms

Process-tracing methods garner analytic strengths by demonstrating clear pathways from causal factors to outcomes rather than leaving causality in a black box (Beach and Pedersen 2013: 47). Thus, Beach and Pedersen (2013: 50) suggest conceptualising causal mechanisms with clear entities (nouns) and their expected activities (verbs). By using several steps of causal mechanisms consisting of entities and activities, a researcher is able to link between an independent variable – '*a causal condition*' in Beach and Pedersen's term (2013: 47) – in an empirical level and an outcome at a theoretical level.

Causal mechanisms, which contain entities and their activities (a 'set-theoretical relationship'), are tested by finding whether the independent variable is necessary or/and sufficient for an outcome or not (Beach and Pedersen 2013: 47 Van Evera (1997)

advanced four tests, based on the concepts of *certainty* and *uniqueness*, in order to confirm or disconfirm the necessity and/or the sufficiency of the evidence supporting the presence of causal mechanisms: Straw-in-the-Wind tests, Hoop tests, Smoking Gun tests, and Doubly Decisive tests.

A researcher can try Straw-in-the-Wind tests when a given hypothesis is considered as having low certainty and low uniqueness. Passing a Straw-in-the-Wind test may affirm the plausibility of a tested hypothesis or increase doubts about it, however, results do not present a decisive guide for accepting or rejecting the given hypothesis (Collier 2011: 826). Although a single Straw-in-the-Wind test rarely updates the confidence of the given hypothesis, multiple passes of Straw-in-the-Wind tests can contribute to building important affirmative evidence.

Hoop tests are used when the tested hypothesis has high certainty but low uniqueness. Passing a Hoop test affirms that the tested hypothesis may be true; however, it does not confirm the given hypothesis. In turn, if the given hypothesis fails to 'jump through the hoop', the hypothesis is eliminated (Collier 2011: 826). Thus, Hoop tests are often used for narrowing plausible hypotheses.

Smoking Gun tests are used when a predicted hypothesis is not so certain but highly unique. Passing a Smoking Gun test confirms prediction is highly valid. However, failure to pass a Smoking Gun test does not eliminate the given hypothesis but weakens the validity of it.

Lastly, *Doubly Decisive tests* can be used when a given hypothesis has high certainty and high uniqueness, even though it is hard to find hypotheses that are suitable for Doubly Decisive tests in social science. Passing a Doubly Decisive test confirms the given hypothesis; in contrast, failure to pass a Doubly Decisive test eliminates the hypothesis.

In conclusion, a theory or hypothesis becomes stronger by passing Smoking-Gun and Doubly Decisive tests as well as by failing to pass Hoop and Doubly Decisive tests. In addition, *multiple passes or failures of Straw-in-the-Wind tests can contribute to building important affirmative evidence. Certainty is confirmed by the presence of theorised outcomes while uniqueness is confirmed by the absence of non-theorised causes.*

Table 5.1 Summary of Four Tests

	The Type of a Given Hypothesis(evidence)		The Results of Tests	
	Certainty	Uniqueness	Pass	Failure
Straw-in- the- Wind tests	Low	Low	Affirms relevance of hypothesis	Hypothesis is not eliminated, but weakened.
Hoop tests	High	Low	Affirms relevance of hypothesis	Eliminates hypothesis
Smoking Gun tests	Low	High	Confirms the hypothesis	Hypothesis is not eliminated, but weakened.
Doubly Decisive tests	High	High	Confirms the hypothesis	Eliminates hypothesis

(Source: Author devised from Van Evera (1997: 31-34), Collier (2011: 825), and Beach and Pedersen (2013: 100-105))

Comparative Historical Analysis: Comparative Studies in Time

Alongside process-tracing methods, this thesis takes comparative historical analysis (hereafter CHA) as a main methodological approach. CHA refers to *macro configurational*, *empirical case-based* and *temporally oriented* research (Thelen and Mahoney 2015: 5-27). The *macro configurational* feature implies that CHA studies focus on causal mechanisms of macro-level outcomes including political, economic, and societal stability and changes in international, supranational, national and organisational levels. This thesis considers decentralisation as an institutional change which have macro-level outcomes within administrative, fiscal, and political intergovernmental relations.

Yet, in order to capture causality, CHA considers micro causal factors – such as interests, ideas, institutions, and context – and their interactions as well as macro factors of changes (Thelen and Mahoney 2015: 5). CHA is interested in explaining causal relations of ‘large-scale’ outcomes with empirical studies (Pierson and Skocpol 2002). Studies using CHA start not with abstract questions in mind but with concrete questions within specific spatial and temporal boundaries. CHA finishes with garnering new understanding about causal mechanisms within a specific time and space, furthermore developing novel theory

(Thelen and Mahoney 2015). Thus, this thesis investigates decentralisation that took place during a post-developmental era in East and South Asia. Both micro and macro causal factors are considered to trace causal mechanism to explain three questions.

CHA concerns history because history has explanatory power to decipher causal mechanisms of the observed 'real world puzzle' (Rueschemeyer and Stephens 1997; Thelen and Mahoney 2015: 20). Yet, history in CHA is not a mere chronological narrative but meaningful analytical concept of *duration*, *pace*, *sequence*, and *process* (Falleti and Mahoney 2015: 213-214). Furthermore, CHA actively reflects diverse causal effects – path-dependency, self-reinforcing, reactive mechanisms – of a same variable, which is shaped by actors who have uneven power, resources, positions, and ideas within a specific time and space (Mahoney 2000; Pierson 2004).

Both *cross-case comparative methods* – 'narrative, Millian, Boolean, and statistical comparisons' – and *within-case methods* – narrative analysis, processes-tracing and pattern matching for theory testing – *are used to* trace causal mechanisms in CHA (Range 2013: 4). The thesis will compare the results of process-tracing methods by using cross-case comparative methods to garner further implication.

Cross-Case Comparative Study

Inferences made in process-tracing are distinguished from inferences drawn from large-N comparative studies and small-N cross-case studies (Beach and Pedersen 2013: 69).

Process-tracing methods draw inferences by confirming the presence or the absence of evidence in a single case. Large-N comparative studies draw correlations and causality by measuring the incidence of dependent variables. Small-N cross-case studies infer causality by focusing on similarities and differences across cases. Thus, process-tracing makes within-case inferences whilst large-N comparative studies and small-N cross-case studies draw cross-case inferences (Beach and Pedersen 2013: 72).

A case study refers to an in-depth investigation of a single case (Goodrick 2009). A cross-case comparative study compasses two or more cases to develop a generalizable hypothesis or theory about causality (Goodrick 2009). Ragin (1997) classifies cross-case comparison studies into variable-oriented and case-oriented studies. Variable-oriented studies focus on the various outcomes across observations and causes in order to explain

why the cases vary. Case-oriented research focuses on the similarities of causes and outcomes in order to draw a (conditional) generalisability (Khan and VanWynsberghe 2008).

Variable-oriented approaches take the methods of agreement and difference (Mill 1843), case survey methods (Yin 2003), and a before-after design to explain divergent outcomes of cases (Khan and VanWynsberghe 2008). Case-oriented approaches use typologies, multi-case methods, and process-tracing to elicit a generalizable theoretical explanations cross cases (Khan and VanWynsberghe 2008). Thus, cross-case comparative studies, both variable and case-oriented approaches, provide better understanding about causality in given cases.

Although the types of inferences are different, large-N comparative studies and small-N cross-case studies have ample potential to guide case selection for process-tracing inferences (Beach and Pedersen 2013: 146-156). For instance, a researcher can choose most-likely cases when the existence of causal mechanism is not clear in theory-building process-tracing. When there is a correlation between independent variables and outcomes, a researcher can select least-likely cases to update the degree of confidence (Beach and Pedersen 2013: 159). Explaining-outcomes process-tracing methods may contribute to comparative studies by providing explanations on non-systematic causal mechanisms (Beach and Pedersen 2013).

In conclusion, this thesis takes process-tracing methods to demonstrate detailed causal pathways from ideas and interests to the degree of change in subnational autonomy. Then, cross-case comparative studies will be undertaken in order to distinguish whether same causes produce same results or whether different causes produce same results.

RESEARCH DESIGN

Considering previous discussion of the theoretical framework (Chapter 3), the systematic literature review (Chapter 4), and methodological considerations (Chapter 5), this section introduces case selection strategies as well as historical and institutional backdrops of Japan and Korea in order to justify the comparability of the selected cases, and outlines the overall research design of the thesis.

Case Selection Strategies

Four factors are considered for the selection of cases for empirical studies. First, the thesis aims to test whether a Sequential Theory of Decentralisation (Falleti 2010) explains the relation between decentralisation reforms and subnational autonomy in locations outside Latin America. Falleti (2010) argues that a sequential theory of decentralisation as a mid-range theory is applicable to post-developmental decentralisation reforms. In addition, she selected the education sector to measure subnational policy-making authority due to education being the first decentralised sector in Argentina, Colombia, and Mexico in the post-developmental era (Falleti 2010: 62). Thus, the thesis selects compulsory education policy as a unit of a comparative case study.

Second, the results of the systematic literature review (Chapter 4) are considered, to identify potential cases from East and South Asian countries. The systematic literature review identifies the driving forces of decentralisation in nine selected countries: political motivations for deepening democracy, managerial motivations for pursuing efficiency, and ethnic and religious conflicts. The degree of subnational autonomy is also present. A three by three table is drawn from driving forces and subnational autonomy after decentralisation (see Table 5.1).

As potential units of comparative studies, two groups of countries emerge in Table 5.1. The first group is Thailand, Korea and India, where democratic and managerial driving forces and a diverse level of subnational autonomy are present. The second group is Taiwan, Korea, and Japan, with a medium degree of subnational autonomy and diverse driving forces. As the thesis aims at tracing material and ideological causal pathways to decentralisation, countries within the second group, with divergent motivations and similar outcomes, are selected as potential cases. Yet, there is little evidence that Taiwan

implemented administrative decentralisation in the post-developmental period. Thus, Japan and Korea, who implemented three types of decentralisation during their post-developmental period, are selected as cases for cross-national comparison.

Selecting Japan and Korea, with a medium level of change in subnational autonomy, offers another analytical advantage to address the issue of 'equifinality' (Goertz and Mahoney 2012: 25). Across Japan and Korea, the causal pathways to the medium level of change in subnational autonomy may differ in spite of similar degrees of change in subnational autonomy after decentralisation. Hence, a researcher may yield analytical advantages by comparing causal pathways to decentralised governance in Japan and Korea.

Table 5.2 Result of Systematic Literature Review¹ (Chapter 4)

Driving Force	Democratic	Democratic and Managerial	Managerial	Ethnic and religious conflict
Subnational autonomy				
Low	-	Thailand	-	-
Medium	Taiwan	Korea	Japan	-
High	Philippines	India, Indonesia	-	Philippines, Indonesia

Third, alongside compulsory education, long-term care service is selected as a unit of a comparative study. As a component of the Welfare State, long-term care service has aspects that differ from compulsory education. As a basic social programme, in many countries, compulsory education is the first institutionalised social policy, the largest public sector, and a strongly unionised area (Falletti 2010: 62). Most of countries adopted compulsory education as a basic social service for future generation in the early stage of nation-building. In contrast, other social services are selectively introduced at the matured stage of the Welfare State. In many industrialised countries, policy-makers only paid attention to long-term care services twenty years ago. Moreover, care services for the elderly are delivered by the care service market rather than public institutions. Thus,

¹ China is excluded due to its peculiar national-provincial relation with no political decentralisation and a high level of administrative decentralisation.

the unionisation of care workers is not strong compared to that of teachers and education actors.

Furthermore, population ageing gives divergent impacts on compulsory education policy and long-term care service policy in terms of management and financial investment. As population ageing means the increase of the elderly and the decrease of students, policy-makers have incentive to increase fiscal investment on long-term care services and to reduce that on compulsory education. In addition, actors around compulsory education with organisational capacity and actors around long-term care service without organisational capacity might take different stances toward decentralisation. More importantly, given that Falletti (2010) aims at tracing the processes of decentralisation in a post-developmental era, decentralisation of compulsory education is closely linked to the reduction of national expenditure. Unlike compulsory education, long-term care services are relatively newly within social services in order to challenge population ageing and the dysfunction of family. For instance, based on social rights, Japan and Korea introduced Long-Term Care Insurance in 2000 and 2008, respectively. Thus, compulsory education decentralisation and the introduction of long-term care service might present different political dynamics.

Fourth, in order to supplement Falletti's empirical studies, the thesis stretches the scope of time from the first wave to the first and second waves of decentralisation. A wave of decentralisation defined as three types of decentralisation reforms – administrative, fiscal, and political decentralisation – take place at least once in a sequential cycle (Falletti 2010). As discussed in Chapter 3, decentralisation entails a new distribution of political resources amongst actors, which constrains and facilitates causal pathways in the following wave of decentralisation. Thus, the thesis selects the first and the second waves of post-developmental decentralisation as units of cross-periodic comparison.

In conclusion, based on the theoretical framework (Chapter 3) and the systematic literature review (Chapter 4), the thesis selects Japan and Korea as units of cross-country comparison. In order to test the generalisability of Falletti's (2010) theory, compulsory education and long-term care services are selected as units of cross-sector comparison. In order to trace causality in time, the thesis selects the first and the second wave of post-developmental decentralisation as units of cross-periodic comparison.

Historical and Institutional Backdrops of Japan and Korea

This section aims to justify comparability of Japan and Korea by focusing on the historical and institutional similarities and differences of Japan and Korea.

Historical Backdrops of Japan and Korea

First, before and after the Second World War, the geographical proximity induced shared history across Japan and Korea. Before the Second World War, Japan and Korea had a similar political system, as Japan ruled Korea for 35 years (1910-1945). After the Second World War, Japan and Korea experienced the processes of modernisation under the United States Military Administration, which ruled Japan for seven years (1945-1952), and Korea for three years (1945-1948). In particular, the United State Military Administration transplanted the American-style subnational self-governance with independent Boards of Education and Boards of Police.

Second, as their contemporary political system was shaped in the aftermath of the Second World War, the Cold War was a prime issue in domestic politics in Japan and Korea, up to 1991. In Japan, the security issue – protection or amendment of the Japanese Constitution of 1947 – constrained further liberalisation and decentralisation. In Korea, the Cold War and an antagonistic regime in the North impeded fully-fledged subnational self-governance (Choi and Wright, 2004). Even under the later democratised administrations, the security issues – such as the rearmament of Japan and nuclear threats from North Korea – delayed political decentralisation several times.

Intuitional Backdrops of Japan and Korea

Another factor strengthening the comparability between Japan and Korea is the similarities and differences of their institutions. Similarities and differences are found in their political systems (see Appendix 2). Both Japan and Korea have unitary systems; however, there are differences in the executive and legislative relations, party systems, and election systems.

First, Japan has a parliamentary system and the leader of the winning party in the Lower House election becomes Prime Minister except the case of there being coalition government. The National Diet of Japan consists of the House of Councillors (the Upper

House) and the House of Representatives (the Lower House). The Upper House elections are held every three years and each time half of the members are elected. A total of 121 members are elected in one election including seventy-three from each prefecture and forty-eight from a nationwide proportional representative list. The Lower House elections are held every four years if there is no dissolution. The election methods were changed from single non-transferable vote in multi-member constituency (SNTV-MMD) to single member constituency in 1994. The House of Representatives consists of 295 Single-Seat Constituency and 180 seats of proportional representation (National Diet of Japan, 2014).

In contrast, Korea has direct elections for its president every five years and legislative members every four years. The Korean presidential election system changed from indirect to direct and vice versa several times from 1952 to 1987; since 1988 it has involved a direct popular election system. The Korean general election system has changed several times: single-member constituency (1948-1962), SNTV-MMD (1961-1981), and single-member constituency with proportional representation from 1981. As of 2015, the Korean National Assembly has 246 seats from single-seat constituency and 54 seats from proportional representation (National Assembly of Korea, 2014).

Second, concerning party politics, as of 2016, Japan and Korea have a multi-party system. Japan and Korea have in common to have been ruled by one dominant right-wing party after the Second World War. In Japan, the the Liberal Democratic Party (LDP, Jimindang, 日本自由民主黨) occupied a ruling dominant position for almost 40 years without any legal restrictions on other parties' formation and activities. In Korea, virtually one party dominated party politics with the support of authoritarian regimes for a long time. Even after the democratised Constitutional Reform in 1987, the same party continued to win electoral contests for about ten years. It was in 1998 when the former opposition party ascend to power at the national level.

Third, Japan and Korea share quite similar development trajectories with the characteristics of the *Developmental State*. Japan and Korea are sound examples of the developmental state, which refers to a state where bureaucracy takes a key role in planning and implementing economic development (Johnson 1999). Japan became the second largest economy in the world with its dramatic economic growth led by strongly centralised technocratic strategies. Korea is also considered as an Asian 'Tiger' of the late

Twentieth century with its centrally planned economy. As legacies of the developmental state, strong executive power and centralised governance are embedded more or less in national and subnational relation in Japan and Korea. From the 1980s, both Japan and Korea have implemented post-developmental decentralisation reforms. This transition from developmental to post-developmental states is one reason that makes Japan and Korea are eligible candidates for testing Falleti's sequential theory of decentralisation (Falleti 2010).

Fourth, another commonality among Japan and Korea is found in their Welfare States development trajectories. When compared to their western counterparts, the East-Asian Welfare State is characterised by social insurance dominant financing and a minimal role of government in social policy provision (Holliday, 2000). Peng and Wong (2010) argue that the East-Asian Welfare State consists of two distinct streams of a 'more inclusive social insurance model' and a 'more individualistic and market-based model'. The former, which includes Japan, Korea, and Taiwan, has been developed a social insurance centred social security system on the basis of social solidarity and universality. The latter, including Hong Kong, Singapore, and China, has a more individualistic social safety net.

Lastly, Japan and Korea share historical and geopolitical factors . Due to their geographical proximity, Japan and Korea shared a common history and culture including Confucian values. Given the legacies of Japanese rule in Korea (1910 - 1945), the two countries have similar three-tier local government systems until today. In conclusion, Japan and Korea have similarity in the Welfare State development and nation-building trajectories. Japan and Korea have constitutionally unitary systems and experienced a long period of one dominant right-wing ruling party. At the same time, Japan and Korea hold differences in political institutions. After the Second World War, Japan has a relatively favourable environment of political freedom, including party formation and activities, direct elections, and subnational elections. However, in Korea, authoritarian governments suppressed the development of democracy until 1988. As a whole, the similarities in the development of the Welfare State, national-building trajectories, and differences in political systems give a clear legitimacy to compare decentralisation in Japan and Korea.

Research Design of the Empirical Studies

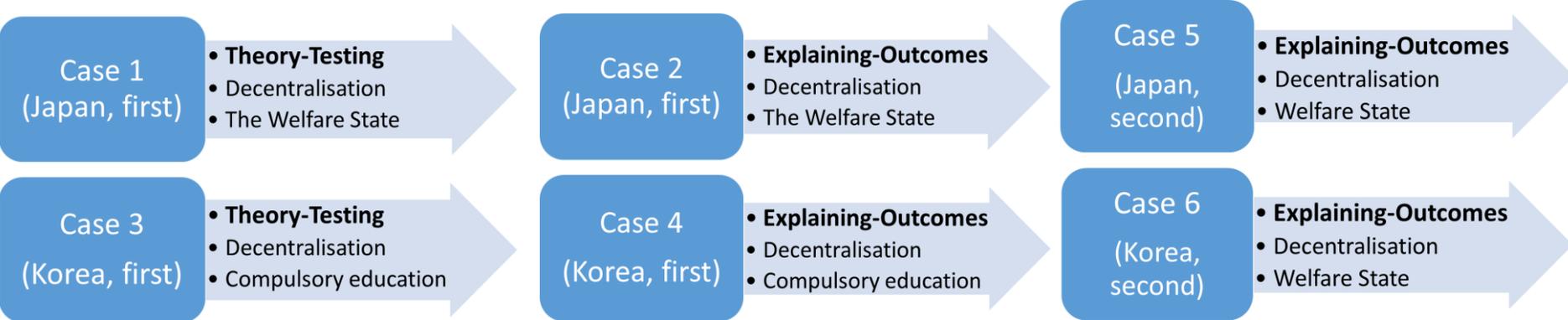
The thesis includes two cases of theory-testing process-tracing and four cases of explaining-outcomes process-tracing (see Figure 5.1). These six cases aim at answering three questions cast in Chapter 1. *What shapes the direction of institutional changes? What determines types of decentralisation? What determines the degree of change in subnational autonomy after decentralisation?* Whilst Falletti (2010) traced only decentralisation of compulsory education in Argentina, Colombia, and Mexico and health care in Brazil, this thesis traced decentralisation in compulsory education and long-term care service.

Case 1 includes theory-testing process-tracing about Japan's first wave of decentralisation (1982-1991). It traces causes and mechanisms in two streams of decentralisation and the Welfare State. As Falletti's (2010) theory left several issues – the cause of decentralisation, the changed actors' perception, and uneven changes of subnational autonomy across sectors – to be addressed, Case 3 includes explaining-outcomes process-tracing over Japan's first wave of decentralisation. Based on the results of Case 3, Case 5 demonstrates explaining-outcomes process-tracing over Japan's second wave of decentralisation (1997-2006).

In addition, Case 2 shows the processes and results of theory-testing process-tracing about Korea's first wave of decentralisation (1989-1997). Case 2 traces causes and mechanisms in two streams of decentralisation and the compulsory education. Case 4 includes explaining-outcomes process-tracing about Korea's first wave of decentralisation. Based on the result of Case 4, Case 6 examined decentralisation and welfare expansion during Korea's second wave of decentralisation (1999-2008) by using explaining-outcomes process-tracing.

On the basis of these six cases, in Chapter 10 (Discussion), cross-case comparative methods will be used to clarify causal pathways to shape the direction of institutional changes, determine types of decentralisation, and determine the degree of change in subnational autonomy.

Figure 5.1 Research Design: 6 cases



DATA COLLECTION

An accurate reconstruction of the past is a key aim of comparative historical analysis. Yet, it is impossible to access the national assembly meetings or closed-door negotiations which happened in the past. Thus, a historical comparative researcher attempts to reconstruct key moments by using secondary data of documents (i.e. minutes and politician's addresses). Furthermore, primary in-depth interview data with key informants, involved in the decision-making, also helps a researcher to triangulate history of interest (Tansey 2007). The author undertook an extensive investigation in order to collect primary and secondary data to reconstruct the last thirty years of decentralisation in Japan and Korea. This section outlines the primary and secondary data collection processes used for measuring subnational autonomy and reconstructing policy-making process of decentralisation reforms, in Japan and Korea.

Primary Data Collection

First, the primary data is collected by semi-structured interview with key actors involved in decentralisation processes and academics having studied decentralisation. Considering the research areas of this thesis (decentralisation and the change in subnational autonomy), a topic guide and a consent form are devised to conduct semi-structured interviews with potential participants (Appendix 3 and 4). The topic guide includes questions on decentralisation reforms in general, decentralisation in compulsory education system, and decentralisation in social services.

The topic guide and the consent form were approved by the Social Policy and Social Work Departmental Ethics Committee from the University of York in September 2014. The primary data are collected by two rounds of elite interviews from October 2014 to August 2015. Those with special insights and experience of decentralisation reforms in Japan and Korea are chosen as interviewees.

The first round of interviews aims to gain general information about decentralisation reforms and related actors. Professors and researchers who studied decentralisation reforms are selected after reviewing related literature. The second round interviews target key actors involved in planning and implementing decentralisation reforms and long-term care services. The potential participants are drawn from national and

subnational civil servants, members of decentralisation committees, subnational associations, teacher's associations, and related non-governmental organisations.

For the interviews in Japan, a range of strategies – telephone, emails, and postal letters, are used to approach potential participants. Professors are accessible either by their personal emails or by their affiliated organisation's representative emails. Researchers in national and private institutions are accessible through each institution's representative email account.

Postal letters in Japanese are used to access civil servants, subnational organisations, teacher's associations, and related non-governmental organisations. Because relevant websites do not contain personal information of those who belong to, postal letters are sent to relevant divisions in each organisation. Either gatekeepers or potential interview participants selected by the gatekeepers respond to the postal letters via the enclosed the author's email and telephone.

For the interviews in Korea, telephone and email are mainly used to approach potential participants. Professors and researchers in national and private institutions are accessible via their personal emails which are open to the public in their affiliated organisational websites. In addition, telephone is used to approach national and subnational civil servants. The official website of national ministries and subnational governments are open names, telephone numbers, and job descriptions of their employees.

For higher civil servants, an interview request email is sent to the secretary in order to make an interview appointment. In some cases, secretaries of higher civil servants are reluctant to forward interview requests to the targeted participants. Therefore, sometimes the author sent emails to the targeted participants directly via the email account informed by the secretaries. Telephone is the best way to reach subnational associations and teacher's union. Sometimes the researcher must negotiate with the gatekeeper by mentioning other associations' participation.

Reflecting on the overall primary data collection procedure, in both Japan and Korea, academics, including professors and researchers, are the most supportive group in participation rates and the quality of interviews. In Japan, although the author approached subnational governments, subnational associations, former decentralisation

committee members, teacher associations during the fieldwork period, most of the requests were declined.

Hence, social and interpersonal dynamics of interview should be considered in order to detect possible biases from interview data. First, there was less possibility that the interview requests in Japan were rejected because the author is a female. When the researcher undertook the interview, in general, interview participants were surprised at finding the researcher is female. These episodes imply gender issue did not impact upon potential participants' decision to accept or reject the interview requests.

Second, the historical and diplomatic tension between Japan and Korea possibly has impact on the potential participants' decision to respond to the interview requests. However, the reason why relatively fewer interviews were conducted in Japan was not because of the historical and diplomatic tension. Rather, compared to the case of Korea, less potential interview participants survive in Japan. For instance, most of the decentralisation committee members in Japan passed away as the first wave of decentralisation in Japan started in 1982. Only one member, over ninety-year-old, survives and he rejected the interview request due to his health and busy schedule. Moreover, civil servants in Japan did not prefer face-to-face interview. Three out of four interview participants from Japanese national ministries prefer a paper questionnaire to a face-to-face interview. Martinus and Hedgcock (2015: 381) found a similar tendency in their empirical study of Japan. They described it as 'Japanese interviewees were more likely to speak on topics directly related to their specific area of work and less likely to make controversial personal statements or opinions'.

In Korea, it is relatively easy to approach national and subnational civil servants by telephone. During the fieldwork in Korea, the author holds an 'insider' position as a culturally and linguistically native Korean as well as a deputy director in the Ministry of Health and Welfare of Korea (hereafter KMOHW). Whereas there are pros and cons on being an 'insider researcher' (Mercer 2007), the position as an 'insider' researcher obviously allows a better chance to access higher level civil servants and participants from non-governmental associations.

However, such being an 'insider researcher' is not always advantageous due to power imbalance and less rapport with those who are in positions in a higher level of

bureaucracy. Compared to the interviews with deputy directors and directors, the author was not able to fully control interviews with senior civil servants – general directors and above – in terms of time and issues. In particular, it was much more difficult to access and build rapport with participants outside of KMOHW. The power of participants doubled when the participants are the present incumbent of the offices. In contrast, retired participants took a more lenient position when sharing their personal opinions about sensitive issues.

At the same time, the author accessed and interviewed seventeen civil servants from subnational governments without mentioning an insider researcher position. The author approached the first interview with a civil servant in an intermediate government as a civil servant in KMOHW who studies abroad. After the first interview, the author realised that hierarchical bureaucratic culture of Korea may bring about negative impacts– for example uncandid answer or avoidance of direct answers – over the decision to participation and the quality of interviews.

Results of Primary Data Collection

From October 2014 to August 2015, a total of 66 semi-structured elite interviews were conducted with 72 interviewees (21 of Japanese and 51 of Korean). The elite interviews consist of civil servants in central and subnational governments, academics in higher education or in public and private research institutions, former members of decentralisation related committees, and workers in subnational associations and teacher associations. To all participants, the topic guide was e-mailed before their interview to take time to consider answers. Table 5.3 overviews interview participants.

In Japan, a total of 18 interviews were held with 21 interviewees. Seventeen interviews focus on decentralisation reforms (9), education policy (4), and social care policy of Japan (5). One interview in Kyoto deals with comparative perspectives on Japanese and Korean decentralisation reforms. Interviews were conducted as one-to-one face to face interviews (12), small-group face-to-face interviews (2) and one-to-one paper interviews via email (4). In small-group face-to-face interviews, each participant contributed information.

Interviews conducted in Japan were undertaken in English (7) and Korean (1) without interpreters, in Japanese (6) with interpreters from Japanese to Korean, and in Japanese (2) and English (2) via email. All hired interpreters were female residents in Japan who speaks Korean as their mother tongue and Japanese as their second language.

Table 5.3 Overview of Interview Participants

			Japan			Korea		
			Male	Female	Total	Male	Female	Total
(current, retired) Professor, Teaching fellow			11	1	12	15	-	15
Civil servant	Central civil servant	General director and above	2	-	2	6	-	6
		Director and below	1	1	2	2		2
	Intermediate civil servant	Director and above	-	-	-	3	-	3
		Deputy director and below	-	-	-	5	-	5
	Local civil servant	Manager and above	-	-	-	2	1	3
		Assistant director and below	-	-	-	2	5	7
Subnational association	Intermediate government association		-	-	-	1	-	1
	Local government association		-	-	-	3	-	3
Research Institute			2	-	2	3	1	4
Non-governmental organisation			3	-	3	2	-	2
Total			19	2	21	44	7	51
Former and current decentralisation committee member ²			-	-	-	6	-	-

The author has a good command of oral and written English and is a native Korean speaker. The interviews in English and Korean were conducted by the author herself. Yet, interviews in Japanese were conducted by the author and interpreters as the author can read but cannot speak Japanese fluently. Hence, the author transcribed the recorded interview into Korean when an interview was conducted in Japanese with a Korean-speaking interpreter. The transcripts and the recorded audio files were sent to the interpreters to check whether any misunderstanding occurred in the processes of

² This item may duplicate with the above items. Therefore, this number is not included into the total number.

interpretation and transcription. As the interviews in Japan were conducted in three kinds of languages, the interview analysis was conducted in each language, then, the final results were translated into English. Appendix 5 includes detailed information of interviews in Japan.

For Korea, a total of 49 interviews were conducted with 51 participants: one-to-one face to face interviews (45) and small-group face to-face interviews (3). The topic includes decentralisation in general (17), compulsory education policy (9), social service (21), and more than one issue (2). All the interviews were conducted in Korean by the author. One interview dealt with comparative perspectives on Japanese and Korean decentralisation reforms. The details of interviewees of Korean decentralisation reforms are presented in Appendix 6.

Secondary Data Collection

The interviews give rich and in-depth information on decentralisation reforms in Japan and Korea. Yet, when triangulated with relevant secondary data, primary data from interviews have explanatory leverages by allowing cross-checking of the interviewee's recollections and viewpoints. More importantly, in order to reconstruct actors' interests and ideas in the given reforms, the primary data is required to be supported by a secondary data – policy papers, new papers, and minutes – and *vice versa* (Jacobs 2015). From the secondary data collection process, more exact financial statistics and election results are acquired to measure the degree of change of subnational fiscal and political autonomy in Japan and Korea.

To summarise, the data used in this paper involves secondary data in English, Japanese and Korean, including national and international financial statistics, election results and published literature including journal papers, policy papers, monograph, White Papers, and related laws and degrees of Japan and Korea. There are also minutes of the Diet in Japan and the National Assembly in Korea, the Cabinet meetings, and decentralisation related committees in Japan and Korea. Some of the secondary data is collected with the help of the interview participants. The details of the secondary data are presented in Appendix 7 and Appendix 8.

CONCLUSION

This chapter introduces the research design, methods, and data collection processes of the thesis. This thesis aims at tracing causal pathways to the institutional change toward decentralisation. Before discussing methodological approaches, this chapter outlined theoretical and methodological considerations about causal mechanisms. Process-tracing methods and comparative historical analysis are introduced as main methodological approaches. Based on theoretical framework (Chapter 3) and systematic literature review (Chapter 4), this chapter selected Japan and Korea and presented this case selection process which followed by overall research design of empirical studies. Finally, this chapter demonstrates primary and secondary data collection processes and results during the fieldwork period in Japan and Korea.

Chapter 6 Measuring Subnational Autonomy

INTRODUCTION

This thesis aims to trace causality amongst actors, interests, ideas, and subnational capacity to subnational autonomy after decentralisation. The appropriate operationalisation of subnational autonomy is essential in order to compare institutional changes toward decentralisation in Japan and Korea. This chapter reviews current research on measuring subnational autonomy and attempts to develop robust measurement of subnational autonomy.

The first section overviews how extant literature measures subnational autonomy. The second section introduces Falleti's measurement. Then, subnational autonomy of Japan and Korea is measured by Falleti's measurement. In the third section, this measured subnational autonomy of Japan and Korea is juxtaposed with Falleti's empirical studies (Falleti 2010: 65-68). By merging empirical results of four Latin American countries, Japan and Korea, the author has greater analytical vantage to evaluate the generalisability of Falleti's theory in an expanded context and to review Falleti's measurement critically. The fourth section introduces a revised measurement by modifying and supplementing Falleti's measurement. In the final section, subnational autonomy of Japan and Korea is measured by this revised measurement.

OVERVIEW OF MEASURING SUBNATIONAL AUTONOMY

Measuring subnational autonomy has been a longstanding challenge in decentralisation, regionalisation and federalism studies (Hooghe et al. 2008; Lijphart 1999; Rodden 2004; Treisman 2002; Wolman et al. 2008). A total of nineteen relevant papers are reviewed in order to capture the main components of subnational autonomy. The nineteen papers consist of eight papers discussed in Schakel (2008) and eleven additional papers sourced by the author (See Appendix 9).

The selected studies measure subnational autonomy in terms of institutional and fiscal factors. *Institutional factors* include political systems (federal-unitary, subnational

elections, presidential-parliamentary), government structure (intermediate-local), the scope and degree of subnational legislative, administrative, and financial discretion, mutual veto power, and subnational capacity to convert its *de jure* autonomy into *de facto* autonomy. *Fiscal factors* are constituted with subnational revenue generation autonomy and subnational expenditure assignment and management.

The Regional Authority Index (RAI) developed by Hooghe et al. (2008) is perhaps the most extensive approach to capture diverse dimensions of administrative, fiscal and political decentralisation. The RAI estimates *the extent which a regional government, defined as intermediate governments having a minimum average population of 150,000 in 2010, exercises authority* (Shair-Rosenfield et al. 2014: 88). The RAI consists of two domains, self-rules and shared rules. While the self-rule is the authority that a subnational government exerts within its jurisdiction, the shared rule is the authority that a subnational government co-exerts with the national government (Shair-Rosenfield et al. 2014: 88). Hooghe et al. (2008) give examples of self-rule as the authorities around institutional depth, policy scope, fiscal autonomy, and representation. In addition, examples of the shared rule are the authorities concerning law-making authority, executive and fiscal control, and constitutional reform. The detailed explanation of the RAI and its measurement is presented in Appendix 10.

Wolman et al. (2008) conceptualises local government autonomy into three dimensions: local government importance, discretion, and capacity. Amongst these dimensions, *local government capacity* draws attention. Wolman conceptualises *local government capacity* as professional skills, management competence, quality of public services, and resource sufficiency and stability in a given jurisdiction (Wolman et al. 2008: 5). Considering that *subnational capacity* is an overarching concept to constitute subnational autonomy, and consequently, *good governance*, it might be a promising strategy to measure subnational autonomy from the perspective of subnational capacity (Fukuyama 2013; McAdam, Tarrow and Tilly 2003).

FALLETI'S MEASUREMENT: SIX VARIABLES ACROSS THREE DOMAINS

Falleti develops a tool to measure subnational autonomy in order to corroborate her theory via empirical studies. She (2010) captured decentralisation in six variables based on the works of Alfred Stepan (2004) and David Samuels and Scott Mainwaring (2004): by measuring economic resources, legal authority, and organisational capacities. *Economic Resources* refer to the natural, industrial, human and fiscal resources that can give the owners more options to strengthen their political capital in order to continue their desired actions. *Economic Resources* are operationalized by two variables: subnational share of revenue and subnational share of expenditure. *The percentage of public money collected by state and local governments* is used for subnational share of revenues whilst *the percentage of public money allocated by subnational governments* is used for subnational share of expenditure (Falleti 2010: 61).

Legal Authority is a constitutionally and legally assigned power to subnational government regarding political institutions such as intergovernmental governance, electoral rules, party systems which serve as *a rule of game* in the evolution of intergovernmental balance of power (North 1990; Falleti 2010). *Legal authority* is measured by two variables: Policy Making Authority and Types of Appointment of Subnational Officials.

Policy Making Authority is operationalized by *the degree of autonomy of subnational officials to plan, design, implements, and evaluation of decentralised policy* (Falleti 2010: 62). As Falleti compares primary and secondary education policy, Policy Making Authority is captured by to what extent subnational government has policy-making authority about curricular, teacher training, evaluation, school management, personnel management, and salary. The Types of Appointment of Subnational Officials is operationalized by whether the head of subnational governments are elected or appointed. If subnational governors and mayors are elected, appointed and a mixed system, elected (E), appointed (A), and mixed (E/A) are given. The category of elected/appointed includes the non-competitive election and national executives' hierarchical control over subnational executive appointments. *Organisational capacities* refer to how well an organisation can implement their goals, regardless of surrounding political environments. *Organisational capacities* are operationalized by two variables: Territorial Representation of Interest in national

legislative bodies and Number of Subnational Associations. Territorial Representation of Interest measures to what extent a minority can constrain the policy orientation of the majority by using its representation in the legislative bodies. Territorial Representation of Interest is operationalized in two stages (Falleti 2010: 63). First, the percentage of seats that each state owns in each chamber is divided by each state's share of the national population. Second, the results of the first stage are nationally averaged and used as Territorial Representation of Interest coefficient.

Table 6.1 Falleti's Measurement of Subnational Autonomy

Domain	Variables	Measurement
Economic Resources	1. Subnational share of revenues (SSR)	<ul style="list-style-type: none"> The percentage of public money collected by state and local governments SSR change = (SSR after – SSR prior)/SSR prior
	2. Subnational share of expenditures (SSE)	<ul style="list-style-type: none"> The percentage of public money allocated by subnational governments SSE Change = (SSE after – SSE prior)/SSE prior
Legal Authority	3. Policy-making authority (PMA)	<ul style="list-style-type: none"> The degree of autonomy of subnational officials to design, evaluate, and decide issues concerning specific policy areas N, national (=0), S, subnational (=1), C= concurrent = 0.5
	4. Type of appointment of subnational officials (ASO)	<ul style="list-style-type: none"> Elected or appointed governors, mayors, subnational councillors A, appointed (=0), A/E, a mixed and restricted competitive election (=0.5), E, elected (=1)
Organisational Capacities	5. Territorial representation of interest in the national legislature (TRI)	<ul style="list-style-type: none"> The average degree of overrepresentation of the subnational units in both Upper and Lower Chambers of Congress TRI prior – TRI after
	6. Number of subnational associations (NSA)	The number of subnational associations

(Source) Adopted and developed Falleti (2010).

If the Territorial Representation of Interest coefficient is larger than one, it means overrepresentation. In this case, some subnational governments may have undue political power, compared to the population in their jurisdiction, to formulate political coalitions.

In turn, if the Territorial Representation of Interest coefficient is smaller than one, it indicates underrepresentation.

The number of Subnational Associations is operationalized by counting the number of individual subnational associations. As a representative of subnational government, subnational associations enable the members to set a politically sensitive agenda without fear of direct retaliation from national government. It means that a larger number of subnational association guarantees a higher level of subnational actors' autonomy.

Japan: Subnational Autonomy in Compulsory Education (1982-1991)

This section calibrates subnational autonomy prior to and after the first wave of decentralisation in Japan using Falleti's measurement. The first wave of decentralisation in Japan started post-developmental decentralisation reform, by reducing national government organisation and fiscal power, in 1983 and ended with the 1991 political decentralisation. Therefore subnational autonomy in Japan is measured for the period 1980-1995 depending on data availability.

First, Subnational Share of Revenue increased by 19.2% between 1980 (39%) and 1995 (46.5%). Subnational Share of Revenue refers to the share of revenues collected by subnational government in the total national and subnational revenues. In Japan Statistic Year Books, revenue settlements of general accounts for national revenues and ordinary accounts for subnational revenues are used in order to calculate the Subnational Share of Revenue.

Second, Subnational Share of expenditure increased 3.9% between 1980 (64.5%) and 1995 (67.1%). *Subnational Share of Expenditure* is the share of expenditure spent by subnational government in the total national and subnational expenditure. In Japan Statistic Year Books, expenditure settlement of general accounts for national expenditure and ordinary accounts for subnational expenditure are used to calculate the Subnational Share of Expenditure.

Third, Policy Making Authority did not change in 1980-1995. *Policy Making Authority* refers to the extent subnational government has the authority to decide curricular, teacher's training, evaluation, school management, personnel management (hiring, firing

and placement), and salary. *National curricular for compulsory education* are planned by the Minister of Education, and deliberated and decided upon by the Central Council of Education (The School Education Law). Each school retains authority to plan and implement curriculum after consulting with national, intermediate and local government's guidelines. Curriculum made by schools was required to gain the consent of local boards of education until 1999 (J19). Hence, the authority on curricular is shared by national, subnational, and schools.

Since 1956, the authority of *hiring, firing and placement of teachers and staff* and *teachers' training* is given to intermediate governments, except in the case of the thirteen Designated Cities. Hence, intermediate and local government share the authority for *personnel management and teachers' training* (J19).

Evaluation is the authority to appraise the performance of boards of education, schools and students. Basically, the performances of Boards of Education and schools are appraised by self-evaluation and horizontal checks by subnational councils in their jurisdiction (The Law on Local Education Administration, Organization and Operation; Kim 2012). A nationwide student attainment assessment started in 1956, was stopped in 1996, and resumed in 2007. Hence, national and subnational government share evaluation authority.

School management refers to the authority of establishing and maintaining schools. National government has the regulatory authority over the basic school standards and subnational government has the authority to approve the establishment of schools in its jurisdiction. According to *the Law on Local Education Administration, Organization and Operation*, national and subnational governments, and private founders can establish schools. Hence, national and subnational governments share the authority of school establishment and management.

Salary refers to whether subnational government has the right to decide the level of salary and the responsibility to finance it. Until *the Total Discretion System*³ was introduced in 2004, salary levels had been strictly controlled by the national government

³ The total discretion system, a kind of block grant system, greatly expands the local discretion on salary and teacher placement within the scope of the total amount of compulsory education expenses from the national treasury's contribution. Under this system, intermediate governments are able to invest more of its own fiscal resources into faculty placement in order to improve the quality of education.

under the banner of guaranteeing equal quality of teachers (Japanese White Paper on Education, Culture, Sports, Science and Technology 2005). National government had authority for salary levels during the first wave decentralisation.

Fourth, Types of Appointed Subnational Officials did not change during 1980-1995. Types of Appointed Subnational Officials refer to whether the head of subnational governments are elected or appointed. Japan introduced popular elections of governors and mayors in 1947. In addition, although governors and mayors were popularly elected, subnational government had to implement delegated affairs as an agency of national government. Until 1991, national government had the right to ask judicial judgements to dismiss elected mayors and governors if governors and mayors did not implement the agency-delegation affairs appropriately.

Fifth, Territorial Representation of Interests increased by 0.4 between 1980 and 1995. *Territorial Representation of Interests in the National Legislatures* refers to the average degree of overrepresentation of the subnational units in both Upper and Lower Chambers of the Diet. In the House of Councillors, *Territorial Representation of Interests* was 1.14 in 1980 and 1.15 in 1992. In the House of Representatives, *Territorial Representation of Interests* was 1.26 in 1980 and 1.30 in 1992.

Finally, the Number of Subnational Associations did not change during 1980-1994. Japan had nine subnational associations in 1980: six subnational associations and three subnational education associations. These six subnational associations are the Japan Association of City Mayors established in 1906, National Association of Prefectural Assembly Chairmen in 1908, National Association of Towns and Villages in 1921, National Association of City Assembly Chiefs in 1932, National Governors' Association in 1947, and National Association of Town and Village Assembly Chiefs in 1949 (Samuels 1983: 23). Subnational associations of education are also present: National Council of Prefectural Boards of Education established in 1949, Association of Prefectural Educational Superintendents in 1949, and Association of Prefectural Board of Education Chairpersons in 1956 (National Council of Prefectural Boards of Education 2015).

In 1995, these six subnational associations developed a nationwide association called *the Council for Establishing Subnational Self-Governing System*. Moreover, the Council for Establishing Subnational Self-Governing system encouraged each intermediate

government to form a *Federation of Decentralisation Promotion* consisting of governors, mayors, chairpersons of subnational councils, and distinguished Diet (Decentralisation Reform Promotion Headquarters 2015). Since 1995, in total, ten subnational associations are active.

Table 6.2 The Changes of Subnational Autonomy in Japan: Falleti's Measurement

Domain	Variables	Subnational Autonomy		
		Prior to decentralisation	After decentralisation	Changes
Economic resources	1. Subnational share of revenues	39% (1980)	46.5% (1995)	19.2%
	2. Subnational share of expenditures	64.5% (1980)	67.1% (1995)	3.9%
Legal authority	3. Policy-making authority	3.5	3.5	0
	• Curricular	C	C	-
	• Teacher training	S	S	-
	• Evaluation	C	C	-
	• School management	C	C	-
	• Hiring, firing, placement	S	S	-
	• Salary	N	N	-
	4. Type of appointment of subnational officials	2.5	2.5	0
	• Governors	E	E	-
	• Mayors	E	E	-
• Educational Superintendent	A/E	A/E	-	
Organisation-al capacities	5. Territorial representation of interest			0.5
	• The House of Councillors	1.14 (1980)	1.15 (1992)	0.1
	• The House of Representatives	1.26 (1980)	1.30 (1993)	0.4
	6. Number of subnational associations	9 (1980)	9 (1993)	0

Korea: Subnational Autonomy in Compulsory Education (1989-1998)

As the first wave of decentralisation in Korea started with the 1989 fiscal decentralisation and ended in the 1997 administrative decentralisation, subnational autonomy in Korea is measured for the period 1988-1998, depending on data availability.

First, Subnational Share of Revenue increased by 63.6% between 1988 (22%) and 1998 (36%). Subnational Share of Revenue refers to the share of revenues collected by subnational government in the total national and subnational revenues. General account settlement data in the National Settlement Book and general account and special account for education in the Local Finance Year Book are used for calculating Subnational Share of Revenue.

Second, Subnational Share of expenditure increased by 19.2% between 1988 (40.6%) and 1998 (48.4%). *Subnational Share of Expenditure* is the share of expenditure spent by subnational government in the total national and subnational expenditure. General account settlement data in the National Settlement Book and general account and special account for education in the Local Finance Year Book are used for calculating Subnational Share of Expenditure.

Third, Policy Making Authority did not change during 1988-1998. National government plans *the national curricular for compulsory education, which* schools and teachers implement. As the 5.31 Education Reform in 1995 underlined the importance of decentralised curricular and school-level curricular discretion, national government increased teacher discretion on extracurricular activities in schools. However, teachers still rarely have the right to teach contents beyond the national curricula.

National and subnational governments share the authority for training teachers. As teachers in Korea are national civil servants, teachers' training programmes planned and implemented by Local Education Offices are understood as deconcentrated.

National government had the evaluation authority on Local Education Offices, schools and students. *Evaluation* is the authority to appraise the performance of Local Education Offices, schools and students. Basically, the performances of Local Education Offices and schools are appraised by national government. In 2011, responsibility for school evaluation was devolved to subnational government's Local Education Offices, and

schools (KMOE, 2011). A nationwide student attainment assessment started in the 1960s, stopped in 1998, and resumed in 2008.

School management refers to the authority for establishing and maintaining schools. Although subnational government has the authority and responsibility to establish and manage primary schools, national and subnational governments, and private founders can establish all levels of schools. Hence, national and subnational governments share authority for school management.

The personnel authority for hiring, firing and placement belonged to national government as teachers are national civil servants. In 2013, the personnel management authority and responsibility were transferred partially to Educational Governors by introducing the total personnel expense system.

Salary refers to the extent subnational government has the right to decide the level of salary and benefits for teachers and staff. As teachers are national civil servants, national government had authority on salary and benefits.

Fourth, *Types of Appointed Subnational Officials* is whether the head of subnational governments are elected or appointed. Traditionally, Education Governors in Korea were appointed by the President. In 1991, the appointment system was substituted by a restricted competitive election system, which is only members of the Education Governor election collegiate at an intermediate government had votes to elect Education Governors participated in the election. However, the popular elections of governors and mayors were introduced in 1995.

Fifth, *Territorial Representation of Interests in the National Legislatures* is refers to the average degree of overrepresentation of the subnational units in the National Assembly. *Territorial Representation of Interests* was 1.09 in 1988 and 1.04 in 2000.

Finally, Korea had no *subnational associations* in 1988. Four subnational associations were established in 1999: National Association of Governors, National Association of Mayors, Association of Metropolitan and Provincial Council Chairs, and National Council Association of Chairmen. Unlike Japan, there is no nationwide federation of subnational associations in Korea.

Table 6.3 The Changes of Subnational Autonomy in Korea: Falleti's Measurement

Domain	Variables	Subnational Autonomy		
		Prior to Decentralisation	After Decentralisation	Changes
Economic Resources	1. Subnational Share of Revenues	22% (1988)	36% (1998)	63.6%
	2. Subnational Share of Expenditures	40.6% (1988)	48.4% (1998)	19.2%
Legal Authority	3. Policy-Making Authority	1	1	0
	• Curricular	N	N	-
	• Teacher training	C	C	-
	• Evaluation	N	N	-
	• School management	C	C	-
	• Hiring, firing, placement	N	N	-
	• Salary	N	N	-
	4. Type of appointment of subnational officials	0	2.5	2.5
	• Governors	A	E	1
	• Mayors	A	E	1
• Educational Governors	A	A/E	0.5	
Organisational Capacities	5. Territorial Representation of Interest in the National Legislatures	1.09 (1988)	1.04 (2000)	-0.05
	6. Number of Subnational Associations	0 (1988)	0 (1998)	0

HOW FALLETI AGGREGATES SUBNATIONAL AUTONOMY

This section aggregates the changes of subnational autonomy using Falleti's method (2010: 65-68). Analysing a total of six countries including Falleti's four, plus Japan and Korea, the author aggregates the six variables of each country into three proxies of *the*

average ranking of absolute degree of subnational autonomy prior to and after decentralisation, and the average ranking of change in subnational autonomy.

The steps to aggregate six variables, used by Falleti (2010), are outlined by using the Korean case. First, the values and changes of six variables are measured in each country (See Table 6.2 and 6.3).

Second, the author gives ranks to the absolute values and changes of each variable from one (= the least decentralised) to six (= the most decentralised). For instance, SSR in Korea was 22% prior to decentralisation, 36% after decentralisation, and changed 64% during the first wave of decentralisation. Amongst six countries, the Korean SSR is ranked in four prior to decentralisation, five post-decentralisation, and five for the change in subnational autonomy. As Japan and Korea have the same level of smallest changes (=0) in PMA, Korea and Japan have 1.5 for the ranks of the change in subnational autonomy (Falleti 2010). In this way, the absolute values and the absolute changes of six variables are ranked for six countries.

Third, the ranks of six variables are averaged into two proxies in *the average ranking of absolute degree of subnational autonomy* and *the average ranking of change in subnational autonomy*. As can be seen in Table 6.4, *the Korean average ranking of absolute degree prior to decentralisation* is 2.50 and *after decentralisation* is 2.57. In addition, the average ranking of change in subnational autonomy is 2.43. In this way, each country has two proxies – the absolute degree of subnational autonomy and the change in subnational autonomy – to reflect subnational autonomy by averaging the rankings of six variables.

Fourth, *the Average Ranking of Change in Subnational Autonomy* is used for cross-country comparison studies. According to Falleti's measurement, *the Average Rankings of Change in Subnational Autonomy* of six countries have the order of Mexico (4.5), Brazil (4.14), Colombia (3.93), Argentina (2.86), Korea (2.43), and Japan (1.43).

Table 6.4 Comparison of the Changes of Subnational Autonomy in Six Countries by Falletti's Measurement

Variable	Argentina			Brazil			Colombia			Mexico			Japan			Korea		
	Prior Dec.	After Dec.	Change	Prior Dec.	After Dec.	Change	Prior Dec.	After Dec.	Change	Prior Dec.	After Dec.	Change	Prior Dec.	After Dec.	Change	Prior Dec.	After Dec.	Change
SSR value	21%	19%	-8%	25%	33%	29%	18%	28%	56%	9%	21%	122%	39%	46.8%	19%	22%	36%	64%
SSR rank	3	1	1	5	4	3	2	3	4	1	2	6	6	6	2	4	5	5
SSE value	34%	41%	21%	32%	44%	38%	28%	40%	43%	18%	29%	61%	64.5%	67.1%	4%	40.6%	48.4%	19%
SSE rank	4	3	3	3	4	4	2	2	5	1	1	6	6	6	1	5	5	2
PMA value	3	4.5	1.5	3	6	3	1	3.5	2.5	0.5	3	2.5	3.5	3.5	0	1	1	0
PMA rank	4.5	5	3	4.5	6	6	3	3.5	4.5	1	2	4.5	6	3.5	1.5	3	1	1.5
ASO value	0	2	2	0.5	2	1.5	0	2	2	1	2	1	2.5	2.5	0	0	2.5	2.5
ASO rank	2	2.5	4.5	4	2.5	3	2	2.5	4.5	5	2.5	2	6	5	1	2	5	6
TRI value	5.09	5.25	0.16	4.17	5.86	1.69	2.42	3.73	1.31	2.96	2.96	0	2.4	2.45	0.05	1.09	1.04	-0.05
Lower	1.94	1.85	-0.09	1.51	1.92	0.41	1.17	2.73	1.56	1.00	1.00	0	1.14	1.15	0.01	1.09	1.04	-0.05
Upper	3.15	3.40	0.25	2.66	3.94	1.28	1.25	1.00	-0.25	1.96	1.96	0	1.26	1.30	0.04	-	-	-
TRI rank	6	5	4	5	6	6	4	4	5	3	3	2	2	2	3	1	1	1
NSA value	0	1	1	1	3	2	0	1	1	0	5	5	9	9	0	0	0	0
NSA rank	2.5	2.5	3.5	5	4	5	2.5	2.5	3.5	2.5	5	6	6	6	1.5	2.5	1	1.5
Average Ranking	3.14	2.86	2.86	3.93	4.21	4.14	2.21	2.64	3.93	1.93	2.93	4.50	5.86	5.36	1.43	2.50	2.57	2.43

(Source: adopted and developed from Falletti (2010: 65-68))

Limitations of Falleti's Measurement

As Falleti (2010) used *the Average Ranking of Change in Subnational Autonomy* as a proxy to corroborate her theory, the validity of her theory and empirical studies highly rely on the theoretical and methodological validity of her measurement. In a nutshell, the author argues that *the Average Ranking of Change in Subnational Autonomy* has significant theoretical and methodological flaws that limit its validity to capture institutional changes toward decentralisation.

First, *the Average Rankings of Change in Subnational Autonomy* of six countries question the generalizability of Falleti's theory. The sequential theory argues that prevailing territorial interests shape the first type of decentralisation, which has reinforcing or reactive causal power to prevailing territorial interests (and decide the degree of change in subnational autonomy). In her empirical studies (Falleti 2010), the first type of political decentralisation had self-reinforcing power to increase subnational interests and resulted in a high change of subnational autonomy in Brazil and Colombia. In contrast, she corroborates that the first type of administrative decentralisation had self-reinforcing power to increase national interests and resulted in the low change of subnational autonomy in Argentina. In Mexico, prevailing national interests caused administrative reforms as the first type of decentralisation. However, democratisation movements had reactive causal power to increase subnational interests and resulted in a medium change of subnational autonomy.

Contrary to this theorisation (Falleti 2010), Korea, with the sequence of fiscal, political, and funded administrative decentralisation, rarely has self-reinforcing power to increase subnational interests. The average ranking of change of subnational autonomy is 2.43 in Korea. This number is smaller than that of Argentina (= 2.86), which had the sequence of administrative, fiscal, and political decentralisation with reinforcing causality to increase national interests. More importantly, Mexico shows the highest degree of change in subnational autonomy when Japan and Korea are added to the comparative analysis (Table 6.4).

In sum, these observations significantly undermine the generalisability of Falleti's (2010) empirical studies and raises serious questions to the theoretical grounds of *the sequential theory of decentralisation*; including whether the basic assumption that actors'

preferences toward decentralisation are shaped by their partisan and territorial interests or not. In addition, are prevailing territorial interests prior to decentralisation the only factor shaping actors' preferences, the sequence of decentralisation, and the change of subnational autonomy?

Second, Falleti's measurement must be reorganised and supplemented as her variables do not capture full dimensions of subnational autonomy. Dimensions of subnational autonomy need to be reorganised into political, fiscal, administrative, and organisational capacity. The new dimensions offer analytical advantages to capture clear causal pathways from diverse interests, ideas, and other factors to the directions and degrees of change in subnational autonomy.

Third, operationalised variables must capture more nuanced institutional changes toward decentralisation. For instance, the measurement of TRI does not reflect the status of subnational territorial representation if it ignores the presence of senators elected on a nationwide party proportionate list. More importantly, the TRI coefficient drawn from a simple national average calculation subsumes the variations of representation into an averaged one.

In the same vein, the methods of ranking and averaging used to aggregate six variables into three proxies are not reliable. These aggregating methods undermine the operational validity of each individual variable as the intervals of ranking fail to deliver the real discrepancy of variables across the country. Again, the averaged ranks of each variable diminish the actual impact of each variable across country. In the author's point of view, these methodological and operational limitations significantly undermine the theoretical and empirical validity of Falleti's sequential theory of decentralisation.

In conclusion, this discrepancy between theoretical expectations and empirical results are derived from three aforementioned three drawbacks: theoretical lacuna of how ideational causal power shapes actors' preferences toward decentralisation, a methodological bluntness in the ranking and averaging processes, and operational difficulties in how variables capture institutional change. Considering these limitations, a revised measurement of subnational autonomy is introduced in the next section.

A REVISED MEASUREMENT: ELEVEN VARIABLES ACROSS FOUR DOMAINS

This section introduces a revised approach by supplementing Falleti's measurement tool. Broadly, four aspects, based on extant studies on measuring subnational autonomy (Appendix 9), are supplemented. First, three domains are reorganised into four domains of political, fiscal, administrative, and organisational capacities. The restructured domains offer analytical advantages to demonstrate causal pathways directly, in terms of directions and degrees, from interests, ideas, and actors' preferences to the change of subnational autonomy.

Second, based on Brancati (2006), Hooghe et al. (2008), and Wolman et al. (2008), variables are added and slightly modified in order to enhance measurement validity. Five variables of the Law-Making Authority, the Administrative Control, the Bureaucratic Governmentality, the Discretion on Fiscal Rules, and the Regular Audit and Evaluation of National Government are added. Four variables of the Types of Appointment, the Policy-Making Authority, the Territorial Representation of Interest in the National Legislatures, and the Subnational Government Associations are slightly modified to gain more validity.

Third, the operational definitions of variables are redefined to capture more nuanced changes. For instance, the Types of Appointment of Subnational Representatives were operationalized as appointed (=0); appointed/elected (=0.5); and elected (=1) in Falleti's measurement. The variable is expanded to the Type of Appointment of Subnational Representatives and operationalised as appointed (=0); appointed by mayors or governors with upper government's consent (=0.25); appointed by mayors or governors without upper government's consent (=0.5); elected in the restricted election (=0.75); and elected (=1).

Fourth, this revised measurement aggregates variables by standardising instead of averaging. After measuring variables, each variable is standardised by setting the most decentralised status (=100) and the most centralised status (=0). Hence, the larger standardised number means the more decentralised governance. For instance, Types of Appointment of Subnational Officials are operationalized as appointed (=0) and elected (=1). When governors and mayors are appointed, the standardised value of the Types of Appointment of Subnational Officials is 0. Conversely, when governors and mayors are elected, the standardised value of the Types of Appointment of Subnational Officials is

100. If one variable consists of several sub-categories, the values of sub-categories are aggregated into one by averaging.

Lastly, a revised measurement consisting of eleven variables in three domains is overviewed. The detailed definition and operationalisation are presented in Appendix 11.

Revised Domains and Variables

In the first domain, *the political capacity* of subnational government is measured by three variables. *Types of Appointment of Subnational Representatives* adopted from Falleti (2010) are slightly modified in an attempt to capture nuanced changes. This variable measures to what extent subnational executives and legislatures independently represent their jurisdictions (Falleti 2010; Hooghe et al. 2008). If the executive and legislative bodies are elected rather than appointed, the score for Types of Appointment of Subnational Officials have higher marks, reflecting higher subnational autonomy.

Law Making Authority adopted from Brancati (2006) and Hooghe et al. (2008) refers to the degree of authority possessed by subnational government in national legislation and constitutional reforms. This variable is operationalised as national government monopoly (N=0); sharing by national and subnational government (C=0.5); and subnational government monopoly (S=1). If subnational representatives have veto power over the national legislature or constitutional reforms, Law Making Authority gains high marks to signal higher subnational political capacity.

Administrative Control developed by the author, based on 'Executive control' of Hooghe et al. (2008), refers to the degree of national involvement in subnational affairs. Even though subnational popular elections are introduced, a national government may exploit coercive and non-coercive administrative measures in order to control the decision-making authority of governors and mayors. This variable attempts to measure the degree of national administrative involvement in subnational affairs. This variable measures five aspects of the national administrative involvement: *the sorts of subnational affairs, and the types and the scope of national involvement, the role of national government, and the types of ex post national direct involvement.*

Subnational affairs consist of autonomous, commissioned, and agency-delegated affairs (Hong 2016). In general, subnational government has the largest authority over

autonomous affairs and the smallest authority on agency-delegated affairs. Hence, the first sub-category is whether autonomous, commissioned, and agency-delegated affairs are present or not. This is operationalised as autonomous affairs are only present (=1); autonomous and commissioned affairs are present (=0.5); and autonomous, commissioned, and agency-delegation affairs are present (=0). The *types* of administrative involvement are operationalised as no involvement (=1); *legally-not-binding* involvement (=0.5); and *legally-binding* involvement (=1).

The *scope* of administrative involvement is either legitimacy (=1) or appropriateness (=0). The *role of national government* may inform to the third party such as independent judicial and auditing bodies (=1) or involve directly to subnational affairs without the third party's judgement (=0). The types of ex post direct involvement are operationalized: giving amendment or implementation orders to subnational government (=1); giving amendment or implementation orders to subnational government and letting intermediate government exert amendment or implementation orders to local government (=0.5); and cancellations or execution on behalf of subnational government (=0).

In the second domain, *administrative capacity* of subnational government is measured by Policy Making Authority and the Bureaucratic Governmentality. *Policy Making Authority* adopted from Falleti (2010) refers to the extent subnational government has the decision-making authority and delivery responsibility in a specific policy area (Hooghe et al. 2008; Lane and Ersson 1999; Wolman et al. 2008). For instance, Falleti (2010) captures Policy Making Authority in compulsory education with six sub-categories (i.e., teacher training, evaluation, school management, hiring and placement, and salary). The author captures Policy Making Authority in long-term care services with four sub-categories (i.e., decisions on benefits, criteria of eligible users, financial management, and delivery management). In addition, policy-making authority in general administration may be captured by the extent to which subnational government has authority on subnational personnel, organisational, and financial management.

Bureaucratic Governmentality measures whether subnational government had a bureaucratic apparatus to plan, implement, and deliver decentralised policies prior to decentralisation. Wolman et al. (2008) argues that the development of bureaucratic

governmentality at the subnational level is the key sign of subnational administrative capacity after decentralisation. Subnational bureaucratic governmentality is operationalized as present (= 1) or absent (=0).

In the third domain, *Fiscal Capacity* of subnational government is measured by three variables: Subnational Share of Revenue, Subnational Share of Expenditure, and Subnational Discretion on Fiscal Rule. *Subnational Share of Revenue*, adopted from Falleti's measurement, refers to fiscal resources collected by subnational government. Subnational Share of Revenue is calculated by a percentage: subnational and non-tax revenues are divided by the total of national and subnational revenues (Falleti 2010; Kim et al 2013). Theoretically, Subnational Share of Revenue may take any number ranging from 0 to 100.

Subnational Share of Expenditure adopted from Falleti's measurement refers to fiscal resources allocated by subnational government. Subnational Share of Expenditure is calculated by a percentage: subnational expenditure is divided by the total of national and subnational expenditures (Falleti 2010; Kim et al. 2013). Theoretically, Subnational Share of Expenditure may take any number ranging from 0 to 100.

Discretion on Fiscal Rule adopted from Hooghe et al. (2008) measures fiscal discretion of subnational government. Discretion on Fiscal Rule consists of two sub-categories: subnational discretion on tax rates and bases, and subnational borrowings. The detailed operationalisation is presented in Appendix 11.

In the final domain, *Organisational Capacity* of subnational government is measured by three variables: Subnational Government Association, Territorial Representation of Interest, Audit and Evaluation of National Government. *Subnational Government Association* developed by Falleti (2010) is slightly modified to enhance the measuring validity. Further to Falleti's index concerning the number of subnational associations, the author adds two more sub-categories of the number of legalised subnational associations, and whether subnational associations have the legal right to present their opinions to national government.

Due to the aforementioned drawback, not considering the national proportional list, *Territorial Representation of Interests* in the national legislature is replaced by

Malapportionment Index of Samuels and Snyder (2001). The Malapportionment Index measures how much *the one person one vote principle* is violated in the national level legislative body. An index of 10 reflects that *ten* per cent of the seats are allocated to districts that would not receive those seats if there were no malapportionment (Samuels and Snyder 2001: 656). A high Malapportionment index means some subnational territorial interests are overrepresented in the National Legislative Body. Theoretically, Territorial Representation of Interests may take any number ranging from 0 to 100. The detailed explanation of this index is contained in Appendix 12.

National Government Audit and Evaluation developed by the author gauges whether a national government implements comprehensive evaluation and audit of the subnational governments' performances. This variable attempts to measure subnational organisational capacity not to comply with national guidelines. If a national government has rights to audit and evaluate subnational governments and gives administrative and fiscal incentives based on the results, subnational governments rarely confronts a national government's decision due to the fear of retaliation. This variable is operationalised as present (=0); legally restricted forms of audit or evaluation (=0.5); and absent (=1).

SUBNATIONAL AUTONOMY MEASURED BY THE REVISED MEASUREMENT

This section assesses the change of subnational autonomy in Japan (1980 – 2006) and Korea (1989-2008) by using this new measurement.

Subnational Autonomy in Japan: 1980, 1994, and 2007

This part measures subnational autonomy in Japan. The result of this measurement is summarised in Appendix 13. The first domain measures *political capacity: Types of Appointment of Subnational Officials, Administrative Control, and Law Making Authority*.

Types of Appointment of Subnational Representatives measure whether executives and legislatives in subnational government are elected or appointed. In 1947, Japan introduced popular elections of governors, mayors, subnational council members, and Boards of Education. In 1956, the popular election of Boards of Education was abolished.

Until the agency-delegation affairs were abolished in 2000, mayors and governors had to implement delegated affairs as an agency of national government in spite of being popularly elected. Moreover, national government had until 1991 the right to seek judicial judgements to dismiss elected mayors and governors if governors and mayors did not implement agency-delegated affairs appropriately.

Since 1956, as a subnational education executive body, a Board of Education was appointed by a mayor or a governor in its jurisdiction. As a head of the Education Bureau in subnational government, a Superintendent of Education was elected by Boards of Education and appointed by the mayor and governor with the upper government's consent (J6; J9; J19; Nishio and Masato 2000). This upper government consent's system was abolished by amending the Local Education Administration Law in 2000. In April 2015, the mutual election system of Educational Superintendents was abolished and mayors and governors are able to appoint Educational Superintendents without the boards of education's recommendation but with the consent of local/intermediate councils (J19).

Law Making Authority measures the involvement of subnational government in national legislations and constitution reforms. All the legislative power in Japan is concentrated in the hands of national politicians.

Administrative Control means how far national government can be involved in subnational affairs. Before 2000, subnational affairs in Japan consisted of autonomous, commissioned, and agency-delegated affairs. National government was involved in subnational affairs with both legally-binding (i.e., permission, approval, direction, and consultation) and legally-non-binding (i.e., advice, recommendation, and reporting) measures. When programmes planned by subnational government violate legitimacy and appropriateness, national government may report subnational government's mal-practice to a high court or to the auditing and accounting office. Otherwise, national government can introduce amendment or implementation orders to subnational government.

In 1999, *the Law on the Amendment of Related Laws to Promote Decentralisation* was enacted in 1999 brought a couple of changes in the scope of national administrative involvement to subnational affairs. On the one hand, the most noticeable changes are the abolition of agency-delegated affairs and the informal administrative involvement (i.e., *national notification*) (J3). On the other hand, national government strengthened

administrative control of subnational government (Cho 2004). Whilst the types and scope of national involvement rarely changed, national government has the right of direct involvement in subnational affairs without third party judgements (such as cancellations and execution on behalf of subnational government). In addition, if necessary, national government can let intermediate government exert amending or implementation orders on local government.

The second domain measures *Subnational Administrative Capacity: Policy Making Authority and Bureaucratic Governmentality*. *Policy Making Authority* in compulsory education policy is measured in the previous section (Table 6.2). Here, *Policy Making Authority* in long-term care services is measured.

In the 1950s and 1960s, several subnational governments started to provide *home helper services* for the elderly with difficulty in daily living activities. In 1962, national government adopted the subnationally developed *home helper service programme* as a national subsidy programme.

Residential and community-based services for the elderly are a typical example of agency-delegated affairs, which is designed and regulated by national government and implemented by subnational government. Until the early 1980s, national government had authority to decide the levels and types of benefits and criteria to screen eligible users, whilst subnational government delivered these nationally planned social services as an agency of national government.

This Intergovernmental authority and responsibility assignment was changed by *the amendment of eight welfare-related laws* in 1986. National government transferred the authority and responsibility of residential and community care services for the elderly, disabled people, and children to subnational government. As a whole, care services for vulnerable population became commissioned affairs. By giving administrative authority and responsibility at the subnational government level, subnational government in Japan gained a small measure of authority to determine eligible users as well as more fiscal responsibility to deliver such programmes. After Japan introduced the Long-Term Care Insurance System in 2000, the subnational authority to determine benefits and eligible users was expanded significantly. Although national government set the basic framework of the Long-Term Care Insurance System and maintains the authority to set criteria of

eligible users, local government has extensive responsibilities to finance and deliver long-term care services. For instance, subnational government has the authority to set the level of insurance premiums and add benefits above the minimum level. In addition, subnational government has responsibility to implement user-eligibility tests, and manage the number and quality of service providers. Every three years, local government is required to establish *the Five Year Plan for the Long-Term Care Services*, including long-term care demands estimation and service provider management.

National government has the responsibility to establish a national framework (i.e., minimum benefits of long-term care services and criteria of eligibility), whilst intermediate government has authority to manage the qualification system of nursing staff and residential service providers and the responsibility to offer administrative and fiscal aids to local government. The fiscal responsibility is shared amongst national (25%), intermediate (12.5%), local government (12.5%), insurance premiums, and user fees.

Bureaucratic Governmentality identifies the presence of a bureaucratic apparatus to plan, implement, and deliver decentralised policies. As subnational bureaucratic apparatus to implement decentralised compulsory education policy, Japan established Boards of Education and Educational Superintendents in 1948 (Nisho and Masato 2000).

In addition, local government plays a key role in delivering social programmes such as the National Health Care Services, the National Health Care Service, and other in-cash and in-kind benefits when the Welfare State was expanded. In the 1950s, the Welfare Offices and the Junior Welfare Official Systems were introduced in local government in line with the enactment of the National Basic Livelihood Protection Law and the Social Welfare Law. The welfare Offices and the junior welfare officials have long been served as a bureaucratic apparatus of in-cash and in-kind social programmes in the local level. As the Japanese Welfare State expanded in the 1960s and 1970s, the authority and responsibility of the Welfare Offices was expanded from in-cash benefits to in-kind services for the vulnerable (Roh 2014). In a nutshell, Japan developed a bureaucratic apparatus to implement decentralised compulsory education and social programmes in subnational government before the first wave of decentralisation.

The third domain measures *Subnational Fiscal Capacity: Subnational Share of Revenue, Subnational Share of Expenditure, and the Discretion of Fiscal Rule*. Subnational Share of

Revenue was 39% in 1980, 46.6% in 1994, and 43.6% in 2007. Subnational Share of Expenditure was 64.5% in 1980, 67.1% in 1995, and 61.7% in 2007.

Discretion on Fiscal Rule measures to what extent subnational government has discretion on taxing and borrowing. In Japan, subnational government had the right to decide tax rates and bases of the local statutory tax under national government's controls (Ahn 2005). By enacting the Omnibus Decentralisation Law in 2000, subnational taxing authority was expanded by replacing the consent of national government by the consultation with national government. In 2004, fiscal discretion of subnational government was hugely increased by introducing a new local non-statutory tax (Ahn 2005). Furthermore, subnational government gained more taxing authority with the introduction of *the village special tax system* in 2012 (Hirashima 2012; J12; Ministry of Internal Affairs and Communication of Japan 2015).

Subnational Borrowings was strictly controlled by national government. Subnational government was only able to issue subnational bonds with the consent of national government within the nationally imposed ceiling. In 2006, this national regulation on subnational borrowing was mitigated by substituting national consents to subnational council's consents (Kwon 2012; J7).

The last domain measures *Subnational Organisational Capacity* by three indices of Subnational Government Association, Territorial Representation of Interests, and Audit and Evaluation of National Government. The index of Subnational Government Association consists of three components: the number of nationwide subnational associations, the number of legalised subnational associations, and the legal right to present opinions to national government. As subnational associations enable subnational government to speak up for their interests without concerning about national government's repercussions, the number of subnational associations and the legal rights to present opinions to national government represent the negotiating power of subnational government in the relation to national government. In the same vein, the legalisation of subnational associations demonstrates subnational governments have political allies in the National Assembly.

As can be seen in the previous section, *the number of subnational associations* was nine during 1980-1994 and ten after 1995. Amongst these ten, six associations were legalised

in the Local Autonomy Law amended in 1963: the Japan Association of City Mayors, the National Association of Prefectural Assembly Chairmen, the National Association of Towns and Villages, the National Association of City Assembly Chiefs, the National Governors' Association, and National Association of Town and Village Assembly Chiefs (Samuels 1983: 23). These so-called subnational associations have the right to submit proposals to the Cabinet or the Diet in accordance with the Local Autonomy Law amended in 1993 (National Governor's Association 2015).

Territorial Representation of Interests is calculated by using the Japanese Diet election data. Subnational Representation of Interests in the Upper House was increased slightly from 10.3% in 1980, to 11.5% in 1992, and to 11.7% in 2007. Subnational Representation of Interests in the Lower House decreased from 10.4% in 1980, to 9.8% in 1992, and to 4.0% in 2007. This decrease of Territorial Representation of Interests in the Lower House resulted from the change of election rules in 1994 from the single non-transferable vote (SNTV) system to a mixed system of a single-member districts and a closed-list proportional representation.

There is no regular national government audit and evaluation to assess subnational governments' performance in Japan. The national authority to audit subnational government significantly weakened after agency-delegated affairs were abolished in 2000. In principle, national government has no legal authority to evaluate the performance of subnational government (Ahn 2004; Cho and Shin 2012).

Subnational Autonomy in Korea in 1988, 1998, and 2008

This part measures subnational autonomy in Korea. The result of this measurement is summarised in Appendix 14. The first domain measures *Subnational Political Capacity*. *Types of Appointment of Subnational Representatives* measure whether executives and legislatures in subnational government are elected or appointed. In 1991, Korea introduced popular elections of intermediate and local council members and indirect elections of Boards of Education and Educational Governors. In 1995, popular elections of governors and mayors were introduced. In 2007, indirect elections of Boards of Education and Educational Governors were substituted with popular elections.

Law Making Authority measures the involvement of subnational government in national legislations and Constitution reforms. Since 1948, all legislative power in Korea has been concentrated in the hands of national politicians.

Administrative Control refers to the degree of national involvement in subnational affairs. Despite political decentralisation in 1991 and 1995, the national administrative involvement on subnational affairs continues.

The second domain measures *Subnational Administrative Capacity. Policy Making Authority* in compulsory education policy was measured in a previous section (Table 6.3). Here, Policy Making Authority for long-term care services is measured for the period of 1988-2008.

In Korea, national government introduced home help services in 1989 as care services for the elderly who reside in homes and communities. Until 2004, care services for the elderly, both residential and community service, were planned by national government and delivered by subnational governments. National government had the authority for deciding benefits and criteria for eligible users. For the delivery, national government had authority to set unified standards of care services and facilities, whilst subnational government had responsibility to manage and supervise service providers according to nationally established standards.

In 2005, national government transferred 67 social programmes including residential and community-based care services for the elderly to subnational government. Whilst national government in theory had no authority over transferred care services for the elderly, in reality, national government continuously supervised the transferred social programmes with non-coercive measures (i.e., providing administrative guidelines and surveying budget allocation status). More importantly, as they did not have enough administrative capacity, subnational government asked guidelines to manage the transferred social programmes (K22). Finally, residential care services for the elderly, disabled people, and mental health were recentralised in 2015, due to continuous requests from subnational government.

Apart from transferring administrative care services for the elderly in 2005, national government introduced an universal Long-term Care Insurance Service in 2007. Unlike

Japan, national government and its quango (the National Health Service) as an insurer take a key role in Korea. The authority to decide levels and types of benefits, the criteria of eligible users, and financial management is concentrated within national government and the National Health Service. The Long-term Care Insurance in Korea is financed by insurance premiums, national transfers, and user fees. National and subnational government share fiscal responsibility for low-income beneficiaries.

Therefore, subnational fiscal responsibility for care services for the elderly substantially decreased after the Long-term Care Insurance System was introduced. National government and National Health Service have responsibility to deliver long-term care service including testing users' daily living activities and quality control of service providers. National government has responsibility to establish the Five Year Plan for the Long-Term Care Service including user estimation, financial management, and plans for service providers and care workers. Subnational government has the regulatory authority to supervise public and private providers.

Bureaucratic Governmentality identifies the presence of a bureaucratic apparatus to plan, implement, and deliver decentralised policies. As a subnational bureaucratic apparatus to implement decentralised compulsory education policy, Korea established Boards of Education and Educational Governors in the Local Education Office in 1949 and continued today (Kim 2008).

In contrast, a subnational bureaucratic apparatus to provide care services for the elderly rarely developed in Korea after decentralisation. This underdevelopment was partly the outcome of a centralised authoritarian political system until 1987 and partly the result of an underdeveloped Welfare State..

For social security programmes, Pension Services and Employment Insurance Services in Korea was planned and managed by national government and its quangos. More importantly, the development of the Welfare State in Korea in the 1990s resulted in the elimination of an extant bureaucratic apparatus at the subnational level. For instance, Korea consolidated the health care insurances divided in employment insurance and regional insurance into a single scheme in 2000 under the slogan of *equality*. Succinctly, Korea had a bureaucratic apparatus of compulsory education prior to decentralisation. However, unlike Japan where a bureaucratic apparatus developed prior to

decentralisation, Korea lacked a bureaucratic apparatus for care services for the elderly in subnational government.

The third domain measures *Fiscal Capacity* of subnational government: *Subnational Share of Revenue, Subnational Share of Expenditure, and Discretion of Fiscal Rule*. Subnational Share of Revenue was 22% in 1988, 36% in 1998, and 32% in 2008. Subnational Share of Expenditure was 40.6% in 1988, 48.4% in 1998, and 42.9% in 2008.

Discretion on Fiscal Rule measures the extent subnational discretion over taxing and borrowing. In 1998, subnational government in Korea gained the authority to change the rates of minor subnational taxes under the nationally given limits (Kim and Yang 2012). However, subnational borrowing required the consent of national government. As the Local Finance Act was amended in 2005, this centrally controlled consent system is relieved by replacing the consent of national government with that of its subnational council within the nationally imposed ceiling (Kwon 2011:39).

The last domain measures Subnational Organisational Capacity: Subnational Government Associations, Territorial Representation of Interests, and Audit and Evaluation of National Government. As measured in the previous section, *Subnational Associations* were not present in 1989. Four subnational associations were established and legalised in 1999: Governors Association of Korea, National Association of Mayors, Association of Metropolitan and Provincial Council Chairs, and Council Association of Chairmen. In addition, as subnational education associations, National Association of the Boards of Education was established in 2002. Finally, National Council of Governors of education was established and legalised in 2008 after the popular election of Educational Governors was introduced. Territorial Representation of Interests in the National Legislature is calculated by using the National Assembly election data for the period 1988-2012. Territorial Representation of Interests in the National Assembly decreased significantly from 8.5 in 1998 to 3.9 in 2000, as Korea continuously changed constitutional districts in order to enhance the equivalent value of one vote. After 2000, Territorial Representation of Interest in the National Assembly has been stable.

Finally, in Korea, national government implements *a national level comprehensive subnational government evaluation and audit* every year. The Board of Audit and Inspection has the right to audit and investigate subnational governments and

subnational education governments. In addition, every year, the KMOI and the KMOE evaluate the performance of subnational governments and subnational education governments respectively. Each central ministry has its own annual evaluation for the performance of subnational government. Such evaluation systems enable national government to exert administrative control over subnational government.

STANDARDISATION AND AGGREGATION OF MEASURED VARIABLES

This section demonstrates standardisation and aggregation processes of the revised measurement. The first and the second parts show the standardisation and aggregation processes of measured variables by using the Japanese case, respectively. The third part demonstrates the results of standardisation and aggregation of subnational autonomy in Korea.

Standardisation Processes of Measured Subnational Autonomy in Japan

This section demonstrates standardisation processes of measured values for the Japanese example. First, the variables measured in the previous section are standardised by setting the most decentralised status (=100) and the most centralised status (=0). Hence, the larger standardised number means the more decentralised governance.

For instance, Types of Appointment are measured 5.5 in 1980 and 1994, and 6 in 2007. The most decentralised case of this variable is when all the sub-categories are elected representatives and the raw value is 8. In the same vein, the most centralised case is when all the subnational-categories are appointed and the raw value is 0. Types of Appointment are standardised by calculating the percentage of raw values against 8. Hence the standardised values of Types of Appointment are 69 in 1980 and 1994, and 75 in 2007.

In the same processes, Law Making Authority, Administrative Control, Policy Making Authority, Bureaucratic Governmentality, and the National Audit and Evaluation are standardised. The raw values of Subnational Share of Revenue, Subnational Share of Expenditure, and Territorial Representation of Interests are used directly as the variables are calculated in the form of a percentage.

The standardisation processes are more complicated for Discretion on Fiscal Rule and Subnational Government Association as each sub-category has a different weight in one variable. For instance, Discretion on Fiscal Rules is measured by the taxing and borrowing authorities. The taxing authority has a raw value between 0 and 4, whilst the borrowing authority has a raw value between 0 and 3. After the standardisation of each sub-category is implemented, the two standardised values are averaged in one standardised value.

On the one hand, the taxing authority of subnational government is measured as 1 in 1980. As the most decentralised status is 4 and the most centralised status is 0, the standardised value of the taxing authority is the percentage of 1 against 4 which means 25. On the other hand, the borrowing authority of subnational government is measured 1 in 1980. As the most decentralised status is 3 and the most centralised status is 0, the standardised value of the taxing authority is the percentage of 1 against 3 which means 33. Hence, the final standardised value of the Discretion on Fiscal Rules is 29 in 1980 by averaging 25 of the taxing authority and 33 of the borrowing authority.

The standardisation of *Subnational Government Association* is more complex. The maximum possible number of subnational associations is conceived in order to capture the most decentralised status. The maximum possible number of subnational associations is decided by the horizontal and vertical heterogeneity of subnational government. Japan has an intergovernmental system with three vertical tiers of national, intermediate and local government. Local government in Japan consists of four diverse types⁴ according to the degree of urbanisation, intermediate government is relatively homogenous. However, Japan has relatively independent Boards of Education at intermediate and local governments as subnational education government. In addition, a nationwide federation of all the subnational associations can be conceivable in both subnational governance and subnational education governance. Hence, the maximum possible number of nationwide subnational associations in Japan is sixteen⁵.

⁴ Although intermediate government in Japan is divided into four types, the composition is one To, one Do, two Hu, and 43 Ken. Hence, it is hard to assume that four nationwide subnational associations are established in the intermediate level. As of March 2013, the four types of local government consist of 790 cities, 745 towns, 183 villages, and 23 Tokyo wards.

⁵ In a subnational government, intermediate associations in legislative and executive bodies (2), local associations in legislative and executive bodies (2*4), and a nationwide federation of subnational

In the same vein, Korea has an intergovernmental system with three vertical tiers of national, intermediate and local government. Intermediate government consists of two types and local government consists of three types⁶ according to the degree of urbanisation. In addition, subnational education governance – Boards of Education and Educational Governors – is located in intermediate government. In addition, a nationwide federation of all the subnational associations can be conceivable in both subnational governance and subnational education governance. Hence, the maximal possible number of nationwide subnational associations in Korea is fourteen⁷.

In the same vein, the maximum possible number of legalised subnational associations is the same number of nationwide subnational associations. Based on this assumption, the standardised value is calculated. Finally, the standardised value of the Subnational Government Association is calculated by averaging standardised values of three sub-categories.

Reflecting on this assumption of the maximum possible numbers of subnational associations, it suggests the weakest part of this revised measurement given possibilities that formal and informal subnational associations are formed.

Aggregation Processes of Standardised Variables in Japan

The second part demonstrates aggregation processes of standardised values with the Japanese example. In short, standardised variables are aggregated into one value by averaging the values of all variables. The aggregation processes take place in each domain level and at a country level. First, variables in each domain are aggregated into one value. Then, the aggregated values of each domain are aggregated into one single value again which represents the degree of subnational autonomy of a country (see Table 6.5).

associations (1). In subnational education governance, intermediate associations of Boards of Education and Educational Superintendents (2), local associations of Boards of Education and Educational Superintendents (2), and a nationwide federation of subnational education associations (1).

⁶ Until 2006, intermediate government in Korea were divided into three types: 7 metropolitan governments, 9 provincial governments, and 16 Education Offices. Local government in Korea was divided into three types: city, county, and ward.

⁷ In subnational government, intermediate associations in legislative and executive bodies (2*2), local associations in legislative and executive bodies (2*3), and a nationwide federation of subnational associations (1). In subnational education governance, subnational associations of Boards of Education and Educational Governors (2), and a nationwide federation of subnational education association (1)

Although arguing that Falleti's (2010) aggregation method of averaging variables undermines the validity of Falleti's theory, the author adopts the same method of averaging, and then aggregating each variable into one number. However, by standardising each variable before averaging, the author seeks to minimise drawbacks of averaging variables. In addition, the aggregation takes place at two levels in order to strengthen analytical robustness. The aggregated standardised values of each domain offer an analytical advantage to trace the causal power of interests, ideas, institutions, and social changes to the specific autonomy of subnational government. The aggregated standardised value of a country can be used in cross-country comparison.

First, the aggregation in the domain level is implemented by averaging standardised values of variables within domains. For instance, *the Aggregated Standardised Value of Political Capacity* in 1980 was calculated by averaging standardised values of Types of Appointment, Law Making Authority, and Administrative Control. *The Aggregated Standardised Value of Political Capacity* were 36 (1980), 36 (1994), and 28 (2007).

The Aggregated Standardised Value of Administrative Capacity in two policy areas of compulsory education and long-term care services are calculated by averaging standardised values of Policy Making Authority and Bureaucratic Governmentality. *The Aggregated Standardised Value of Administrative Capacity* in compulsory education was 79 (1980), 79 (1994), and 88 (2007). In addition, *the Aggregated Standardised Value of Administrative Capacity* in long-term care services was 63 (1980), 69 (1994), and 82 (2007).

The Aggregated Standardised Value of Fiscal Capacity is calculated by averaging standardised values of Subnational Share of Revenue, Subnational Share of Expenditure, and Discretion on Fiscal rules. *The Aggregated Standardised Value of Fiscal Capacity* was 44 (1980), 48 (1994), and 55 (2007).

The Aggregated Standardised Value of Organisational Capacity are calculated by averaging standardised values of Subnational Government Association, Territorial Representation of Interests, and National Audit and Evaluation. *The Aggregated Standardised Value of Organisational Capacity* was 34 (1980), 34 (1994), and 61 (2007).

Table 6.5 Subnational Autonomy in Japan: Standardisation and Aggregation

Variables	Subnational Autonomy (Raw Values)			Subnational Autonomy (Standardised Values)		
	1980	1994	2007	1980	1994	2007
Aggregated Subnational Autonomy	Compulsory Education			48	49	58
	Long-term care			44	47	56
I. Aggregated Standardised Values of the Political Capacity				36	36	28
1. Types of Appointment	5.5	5.5	6	69	69	75
• Governors	E	E	E			
• Mayors	E	E	E			
• Superintendents of intermediate government	A/C	A/C	A/-C			
• Superintendents of local government	A/C	A/C	A/-C			
• Intermediate council	E	E	E			
• Local council	E	E	E			
• Boards of Education in intermediate	A/-C	A/-C	A/-C			
• Boards of Education in local government	A/-C	A/-C	A/-C			
2. Law Making Authority	0	0	0	0	0	0
3. Administrative Control	2	2	0.5	40	40	10
II. Aggregated Standardised Values of Administrative Capacity	Compulsory Education			79	79	88
	Long-term care			63	69	82
4. Policy Making Authority						
• Compulsory Education	3.5	3.5	4.5	58	58	75
• Long-term care	1	1.5	2.5	25	38	63
5. Bureaucratic Governmentality						
• Education	P	P	P	100	100	100
• Long-term care	P	P	P	100	100	100
III. Aggregated Standardised Values of Fiscal Capacity				44	48	55
6. Subnational Share of Revenue	39%	46.6%	43.6%	39	47	44
7. Subnational Share of Expenditure	64.5%	67.1% (1995)	61.7%	65	67	62
8. Discretion on Fiscal Rules	2	2	4	29	29	58
• Taxing	1	1	2	25	25	50
• Borrowing	1	1	2	33	33	66
IV. Aggregated Standardised Values of Organisational Capacity				34	34	61
9. Subnational Government Association				41	41	74
• Number	9	9	10	56	56	63
• Legalisation	6	6	6	66	66	60
• Legal rights	A	A	P	0	0	100
10. Territorial Representation of Interest				10.4	10.7	7.9
11. National Audit and Evaluation	1	1	2	50	50	100

Second, the average of *the Aggregated Standardised Values of four domains* resulted in subnational autonomy of the given country. *The Aggregated Standardised Value of Standardised Subnational Autonomy* in compulsory education was 48 (1980), 49 (1994), and 58 (2007). In addition, *the Aggregated Standardised Value of Standardised Subnational Autonomy* in long-term care services was 44 (1980), 47 (1994), and 56 (2007). The detailed data is presented in Table 6.5 and Appendix 15.

Results of Standardisation and Aggregation of Subnational Autonomy in Korea

Subnational Autonomy in Korea is standardised and aggregated by the same measures as that in Japan. As a whole, subnational autonomy in Korea continuously increased for the last twenty years. During the first wave of decentralisation, subnational political and fiscal capacity increased significantly, whilst subnational administrative capacity did not change and subnational organisational capacity decreased. In the second wave of decentralisation, subnational political, fiscal, and organisational capacity increased.

Whilst subnational administrative capacity in compulsory education increased, that in long-term care services decreased between 1998 and 2008. In fiscal capacity, Subnational Share of Revenue and Expenditure decreased and Discretion on Fiscal Rules increased significantly in the second wave, whilst subnational share of revenue and expenditure, and Discretion on Fiscal Rules increased in the first wave. The detailed data is presented in Table 6.6 and Appendix 16.

Table 6.6 Subnational Autonomy in Korea: Standardisation and Aggregation

Variables	Subnational Autonomy (Raw Values)			Subnational Autonomy (Standardised Values)		
	1988	1998	2008	1988	1998	2008
Aggregated Subnational Autonomy	Compulsory Education			22	32	41
	Long-term care			10	20	27
I. Aggregated Standardised Values of the Political Capacity				0	31	33
1. Types of Appointment	0	5.5	6	0	92	100
2. Law Making Authority	0	0	0	0	0	0
3. Administrative Control	0	0	0	0	0	0
II. Aggregated Standardised Values of Administrative Capacity	Compulsory Education			59	59	63
	Long-term care			13	13	7
4. Policy Making Authority						
• Education	1	1	1.5	17	17	25
• Long-term care	1	1	0.5	25	25	13
5. Bureaucratic governmentality						
• Education	1	1	1	100	100	100
• Long-term care	0	0	0	0	0	0
III. Aggregated Standardised Values of Fiscal Capacity				26	38	40
6. Subnational Share of Revenue	22%	36%	32%	22	36	32
7. Subnational Share of Expenditure	40.6%	48.4%	42.9%	41	49	43
8. Discretion on Fiscal Rules				14	29	46
IV. Aggregated Standardised Values of Organisational Capacity				3	1	26
9. Subnational Government Association				0	0	75
10. Territorial Representation of Interest	8.5	3.9 (2000)	3.6 (2012)	8.5	3.9	3.6
11. National Audit and Evaluation	0	0	0	0	0	0

Conclusion: Changes of Subnational Autonomy in Japan and Korea

Here, the changes of subnational autonomy are overviewed in Japan (Figure 6.1 and 6.2) and Korea (Figure 6.3 and 6.4). First, the change of subnational autonomy in Japan is outlined in time. During the first wave, subnational autonomy in Japan did not increase significantly. In the compulsory education area, aggregated subnational autonomy was 48 in 1980 and 49 in 1994. In the long-term care area, aggregated subnational autonomy was 44 in 1980 and 47 in 1994. Whilst political, administrative, and organisational capacity was unchanged, subnational fiscal capacity increased from 44 in 1980 to 48 in 1994.

During the second wave, subnational political capacity decreased whilst subnational administrative, fiscal, and organisational capacity increased significantly. In the compulsory education area, aggregated subnational autonomy was 49 in 1994 and 58 in 2007. In the long-term care area, aggregated subnational autonomy was 47 in 1994 and 56 in 2007.

Second, the change of subnational autonomy in Japan is outlined by sectors. During both waves, subnational autonomy of the long-term care services increased more than that of compulsory education. The policy-making authority of compulsory education was 58 (1980), 58 (1994), and 75 (2007) whilst the policy-making authority of long-term care services was 25 (1980), 38 (1994), and 63 (2007).

Third, subnational fiscal capacity in Japan increased during both periods; however, the detailed changes are different. During the first wave, Subnational Share of Revenue and Expenditure increased and Discretion on Fiscal Rules stagnated. In contrast, during the second wave, Subnational Share of Revenue and Expenditure decreased and Discretion on Fiscal Rules increased significantly. In addition, Subnational Organisational Capacity in Japan increased significantly compared to other domains.

Figure 6. 1 Subnational Autonomy of Compulsory Education in Japan (1980, 1994, 2007)

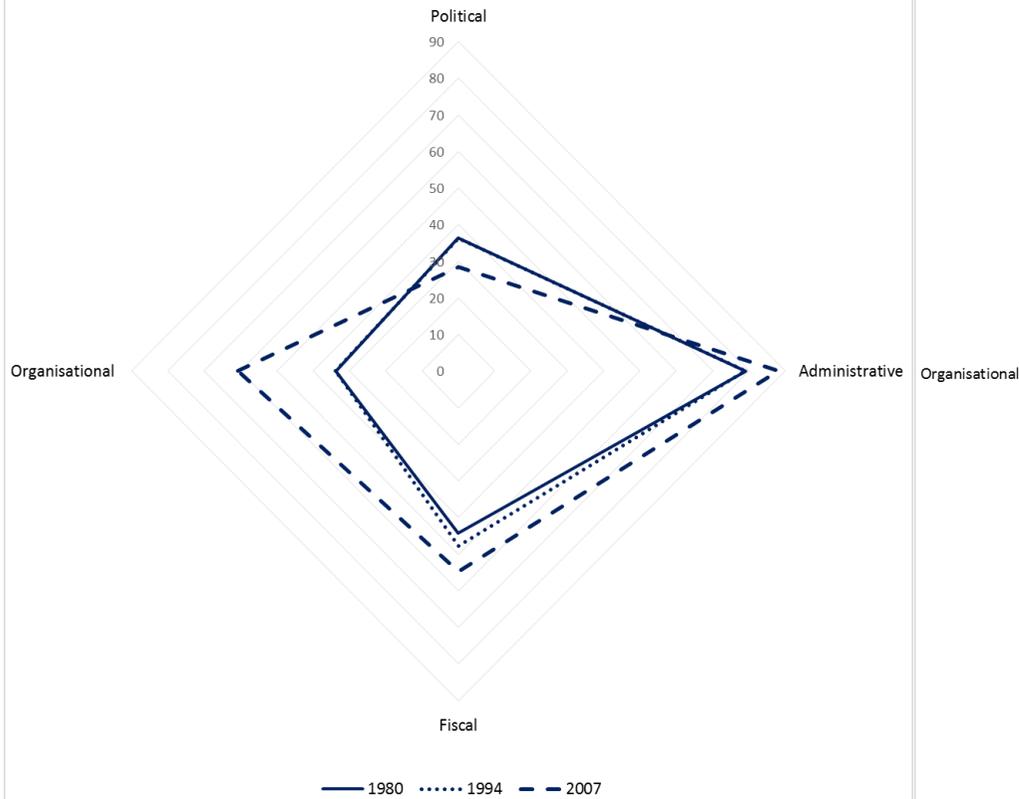
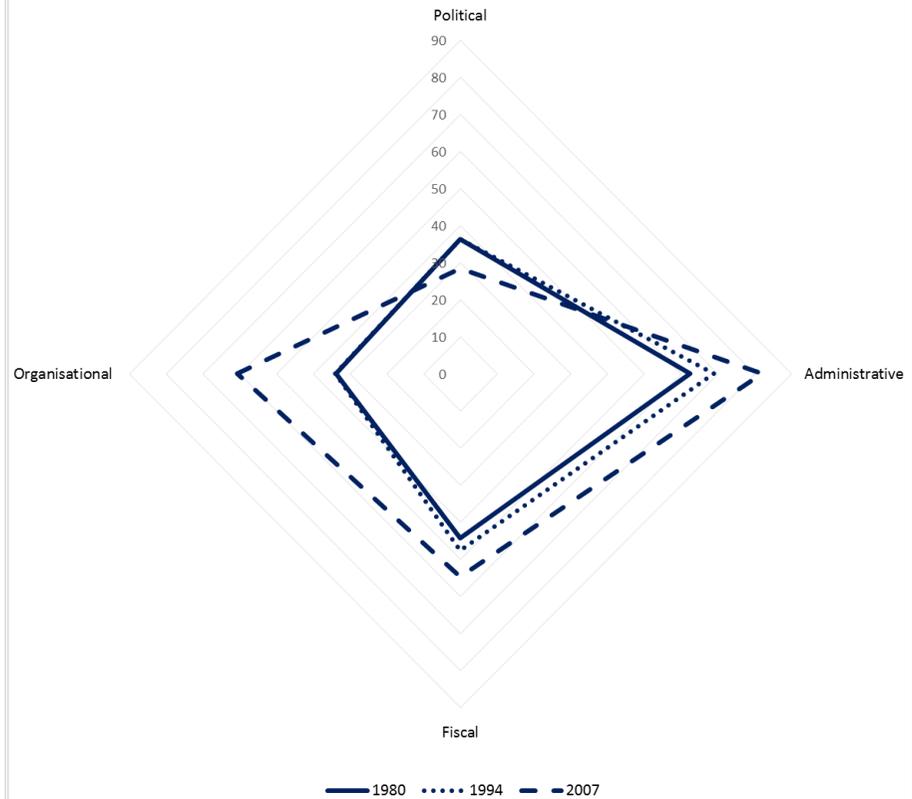


Figure 6. 2 Subnational Autonomy of Long-Term Care Services in Japan (1980, 1994, 2007)



Fourth, the change of subnational autonomy in Korea is outlined in time. During the first wave, subnational autonomy in Korea noticeably increased. In the compulsory education area, aggregated subnational autonomy was 22 in 1988 and 32 in 1998. In the long-term care area, aggregated subnational autonomy was 10 in 1988 and 20 in 1998. Whilst administrative capacity was unchanged and subnational organisational capacity decreased, subnational political and fiscal capacity increased significantly. During the second wave, subnational autonomy in Korea increased in both policy areas. In the compulsory education area, aggregated subnational autonomy was 32 in 1998 and 41 in 2008. In the long-term care area, aggregated subnational autonomy was 20 in 1998 and 27 in 2008.

Fifth, the change of subnational autonomy in Korea is outlined by sector. During the first wave of decentralisation, subnational administrative capacity did not change in both policy areas. However, during the second wave of decentralisation, subnational autonomy of compulsory education increased whilst subnational autonomy of long-term care services decreased. The uneven degree of change in subnational autonomy resulted from subnational administrative capacity: policy-making authority of compulsory education increased (17 to 25) but that of long-term care services decreased (25 to 13). Moreover, subnational government had bureaucratic apparatus for compulsory education, but similar apparatus was not developed that for long-term care services.

Six, subnational fiscal capacity in Korea increased during both waves. However, the detailed changes are different. During the first wave, Subnational Share of Revenue and Expenditure, and Discretion on Fiscal Rules both. In contrast, Subnational Share of Revenue and Expenditure decreased and Discretion on Fiscal Rules increased significantly during the second wave. During the second wave, Organisational Capacity of subnational governments in Korea increased significantly compared to other domains.

Figure 6.3 Subnational Autonomy of Compulsory Education in Korea (1988, 1998, 2008)

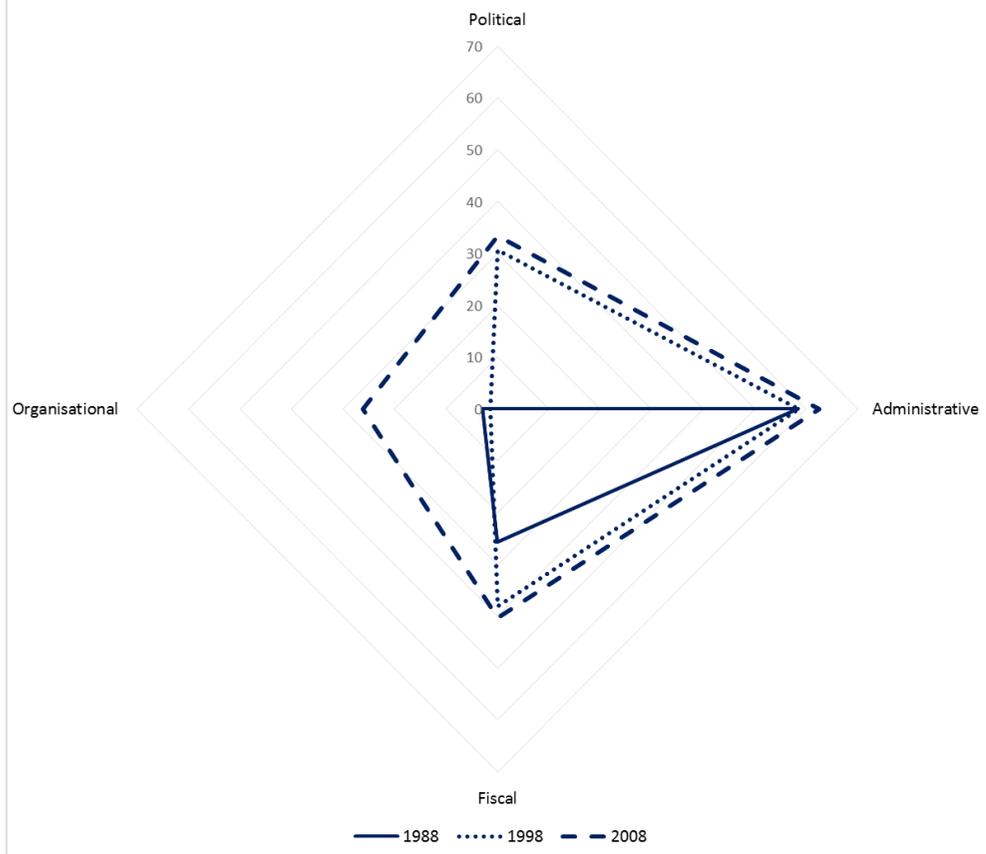
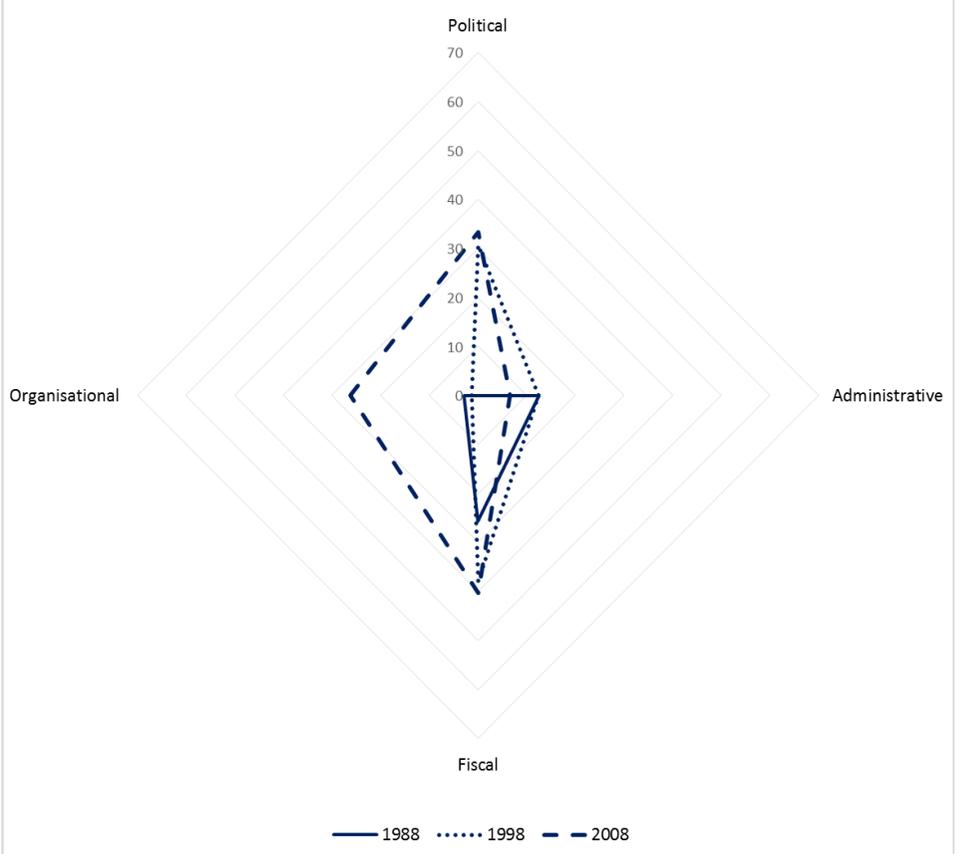


Figure 6.4 Subnational Autonomy of Long-Term Care Services in Korea (1988, 1998, 2008)



Chapter 7 Japan' First Wave: Fiscal Reconstruction and the Welfare State

INTRODUCTION

After the Second World War, the Japanese developmental state achieved rapid economic growth called *the Golden Years*. During the era of economic growth, Japan developed a centralised tax system based on progressive income taxes and corporation taxes. This centralised tax system reinforced Japan's development as an administratively and politically centralised state. *Administratively*, competent national technocrats in Japan planned public services whilst subnational government implemented the centrally planned public policies as an agency of national government.

Under the centralised tax system, deconcentrated public service delivery governance required national government to transfer huge amounts of fiscal resources to subnational government. National government transferred fiscal resources as earmarked national subsidies with subnational compulsory matching in order to guarantee subnational implementation. This unique public service delivery governance with national planning and finance and subnational implementation was called *the agency-delegation system* (Jinno 1995). This agency-delegation system has long been criticised because national government undermined subnational autonomy by imposing administrative and fiscal responsibilities (J3; J5; J7).

Politically, the centralised tax system combined with *political clientelism* reinforced political power of the ruling Liberal Democratic Party (hereafter LDP) in intergovernmental politics (Scheiner 2005: 806). During its long-standing regime from 1955 to 1993, the LDP developed *faction (zoku) politics* which constitutes a 'Japanese iron triangle' in major policy areas (i.e., construction, and postal and telecommunications.). As policy experts in the LDP factions built close networks with senior civil servants in line ministries (Bettcher 2005; J20), subnational politicians enjoyed electoral opportunities by advertising *clientelist networks* with the LDP under the centralised tax system. In turn, electoral successes in subnational politics reinforced the power of the LDP by precluding opposition parties from building political bedrocks in subnational government. Hence,

under the centralised tax system, the LDP exploited the centralised *fiscal pipelines* to control subnational elections (Scheiner 2005: 806).

In party politics, Japan developed a two-party system with the ruling LDP and the opposition JSP called *the 55 system* (Masumi 1988). The 55 system refers to the Japanese party politics established from 1955 consisting of *the LDP* with the right-wing ideology supporting constitutional reform, strengthening security, and conservative values and *the left-wing Japanese Socialist Party (JSP)* supporting constitutional protection and progressive values. At first, the two-party system was based on ideological cleavages around security issues. In the processes of the Japan-US Security Treaty revision in 1960, both parties became aware of security issues - reforming and protecting the Peace Constitution - were unsuitable for their partisan strategy any more (Nakano 2010: 49-51).

Hence, the ruling LDP changed its party platform from traditional right-wing policies to embrace economic development in the 1960s. Confronting economic development and urbanisation agendas of the conservative LDP, *progressive mayors and governors* from opposition parties gained popularity in subnational politics by advocating local level solutions to address deteriorating living conditions and well-being (Michio 1997). Progressive mayors and governors started social programmes - child allowance and free health care for the elderly medical services - and diffused these to another local and intermediate government. In the 1960s and 1970s, progressive politicians convened regularly to exchange and develop ideas and practical strategies to improve direct democracy, participation, and accountability (Nakano 2010).

In addition, subnational government had an opportunity to grow its administrative capacity to plan and implement its own public service programmes.

Due to financial challenges after oil shocks of the 1970s, Government debt in Japan snowballed to 40% of government revenues in 1979 (Jinno 1995; J1; Shinoda 2010: 128). *The Ohira Administration* (1978-1980) considered either *increasing taxes* to fill the fiscal gap or *reducing government expenditure* through administrative reforms as a solution to tackle this fiscal crisis. Anticipating strong opposition from the central ministries about decentralisation and privatisation, the Ohira Administration sought to introduce Consumption Tax rather than administrative reforms. However, the Ohira Administration

collapsed in 1980 facing strong public resistance after attempting to introduce a Consumption Tax.

After observing the Ohira Administration's collapse, the following Suzuki Administration (1980-1982) and the Nakasone Administration (1982-1987) promoted administrative reforms under the slogan of *fiscal reconstruction without tax increases*. Hence, the first wave of decentralisation in Japan was started with administrative reforms to overcome fiscal crises and reconstruct the national economy. Therefore, the Suzuki Administration (1980-1982) was the first administration to attempt to move Japan from a centralised developmental state to a post-developmental decentralised state.

JAPAN'S FIRST WAVE OF DECENTRALISATION (1982-1991)

Actors, Interests, and Ideas

Actors, interests, and ideas of the first wave decentralisation are outlined. First, party politicians from the ruling LDP and the opposition parties of the JSP, the Japanese Communist Party (JCP), the Komeito Party, participated in decentralisation processes. National and subnational actors such as the Suzuki (1980-1982), Nakasone (1982-1987), Takeshita (1987-1989), and Kaifu (1989-1991) Administrations, and six subnational associations participated in decentralisation processes. In particular, *the Second Ad hoc Commission of Administrative Reform* (hereafter *Rincho II*, 1981-1983) as a Prime Minister's Advisory body and *the Ad hoc Provisional Administrative Reform Promotion Councils* (hereafter *Gyakakushins* 1983-1987; 1987-1990; 1990-1993) as implementation bodies played key roles to plan and implement administrative reforms and fiscal reconstruction (Aoki 2008: 15; Masujima 2006; Tiberghien 2014).

The LDP was the ruling party throughout the first wave of decentralisation. As the JSP gradually lost its political foundation with the demise of ideological conflict in the 1960s, the opposition camp fragmented into small parties including the Japanese Communist Party (JCP), the Democratic Socialist Party (DSP), and the Komeito Party. Under the Japanese Parliamentary system, the divided opposition interests gave the LDP opportunities to maintain its position as the ruling party until the Hosokawa Administration were established in 1993. During the first wave of decentralisation, ruling

interest was dominant in the House of Representatives in 1982-1991 and in the House of Councillors until 1989.

Second, business actors were deeply involved in planning and implementing the first wave of decentralisation in Japan. The Suzuki and Nakasone Administrations appointed *Doko Tohio*, a former president of the Japanese Federation of Economic Organisation, as the chairman of the *Rincho II* and *Gyokakyshins*. The Japanese national government promoted the first wave of decentralisation with the active involvement of the business sector.

Third, under the slogan of *fiscal reconstruction without tax increases*, the Suzuki Administration embodied neo-liberalism into policy programmes of deregulation, privatisation, and decentralisation. The Final Report of *the Rincho II* contained neo-liberalism to *build a vibrant welfare state and contributing global society by moving from public to private and from national to subnational* (The *Rincho II* 1983). In particular, decentralisation and deregulation were aimed at social security, public works, and education in order to streamline government organisations and expenditures. Alongside with the active involvement of the business sector, the slogan of fiscal reconstruction without tax increases demonstrates neo-liberalism was the central ideological axis of the first wave of decentralisation.

In social policy, the slogan of *the Japanese style Welfare State* was proclaimed during this period (Shin DM 2011). The Japanese style welfare state refers to high reliance on the self-help of individual, family, community assistance, and employers when the national system is not sufficient. Based on the slogan of the Japanese Style Welfare State, welfare retrenchment started with the reintroduction of user fees for health care services for the elderly in 1982. In addition, National Pension Service was retrenched in 1985 and Basic Pension Service for the elderly was introduced.

In education policy, the Nakasone Administration established the *Ad Hoc Council of Education Council of Education (Rinkyoshin)* in the 1980s. The *Rinkyoshin* attempted to introduce neo-liberal policy programmes into primary and secondary education under the slogan of *market competition and school choice (jiyuka)* and *relaxation of central government regulation (junanka)*. Overall, the policy paradigm of the Japanese style

welfare state was embodied in policy programmes of decentralisation, deregulation, and privatisation in social and education policy (J1; J8; Schoppa 1991).

Fourth, the internal party structure between the party and its belonging subnational politicians has been relatively liberal in Japan. Although having a party nomination system in subnational elections, the individual capacity of candidates rather than their partisan affiliation is a more important factor to achieve electoral success in Japan. Hence, the party nomination system takes loose forms like additional nominations, recommendations, supports, and joint-rides⁸ (Kwon YJ 2013). Hence, personal characteristics of candidates are the prime factors within Japanese subnational elections. More than 90% of governors, mayors, local councillors and more than 15% of intermediate councillors do not join national parties since 1979 (JMIAC 2011). In addition, Japan developed public consensus that subnational politics should be closer to citizens and separated from national politics through the long history of subnational self-governance (K21).

In addition, subnational election rules developed to decouple subnational interests from national partisan interests. Subnational elections in Japan are held every four years called *the unified subnational elections*. As the term of elected candidate of by-elections is four years in Japan, the dates of subnational elections may differ across subnational governments. Only 55% of subnational council elections and about 27% of governors and mayors' elections were held on the date of unified subnational elections in 1979-1991 (JMIAC 2011). Hence, subnational elections have less meaning as an interim-evaluation means about the ruling party in Japan (Kwon YJ 2013).

In Japan, the power of subnational associations also gives more independence to subnational government. As the executive bodies' associations, Japan Association of City

⁸ Unlike the Korean party nomination system where one party nominates one candidate in one electoral constitute, Japan has loose the party nomination system including nominations, recommendations, supports, and joint-rides. Nomination means one national party nominates a candidate amongst its members. In addition, parties can nominate its candidates not only before the election campaigns – the case of Korea – but also during the election campaigns. Hence, the types of the party nomination in Japan varied. For instance, recommendation means one national party help an independent candidate during the electoral campaign. In many cases, parties which have no official candidate give recommendations to independent candidates who have shared policy orientations. Support means national parties support the election campaign of independent candidates informally even though not giving public recognition and recommendation. The joint-ride (ainori) refers to the recommendation and supports from multiple parties are given to a competitive candidate (Kwon YJ 2013).

Mayor in 1906, National Association of Towns and Villages in 1921, and National Governors Association in 1947 were established. As legislative bodies' associations, National Association of Chairs of Towns and Villages Councils in 1921, and National Association of Chairs of Prefecture Councils in 1923, and National Association of Chairs of City Councils in 1932 were established.

The flexible party nomination system, election rules giving more independence to subnational politics, and powerful organisational capacity of subnational associations have been breaking the partisan links between national and subnational politicians.

Fifth, economic and demographic changes urged national government to respond to the era of low growth and population ageing. Like other developed economics, the Japanese economy had recessions after the oil shocks in 1970s. Whilst the GDP growth rate of Japan remained above 3% in the 1980s, government debt of GDP increased from 53% in 1980 to 67% in 1990 (World Bank 2016; IMF 2016). In addition, Japan was one of the fastest ageing countries in the world with 7% of population aged over 65 years in 1970. The figures were 9.1% in 1980, 12.1% in 1990, and 14.5% in 1995 (JSTAT 2016). Given these economic and democratic changes, the Japanese government faced a dilemma of how to increase social expenditure, which mostly derived from population ageing, without tax increases. On the one hand, national government had to achieve fiscal reconstruction in order to decrease government debt and prepare for an era of low economic growth. On the other hand, national government was required to respond to new social risks as well as old social risks (Esping-Andersen 1999; Bonoli 2006). New social risks such as precarious employment, family disaggregation, and work and life balance not only question the effectiveness but also the sustainability of the classical Welfare State (Taylor-Gooby 2006). Under these economic and social contexts, the first wave of decentralisation was implemented.

Sequence of the First Wave of Decentralisation

In Japan, the first wave of decentralisation aiming for fiscal reconstruction took place in the sequence of 'administrative –fiscal – political –administrative' decentralisation. As the first type of decentralisation, national government reduced national subsidies to subnational government. As subnational government maintained administrative

responsibilities, the transfer of fiscal responsibility means **unfunded administrative decentralisation**. Overall, **unfunded administrative decentralisation** during 1983-1989 focused on the transfer of fiscal responsibilities for personnel expenses, and social and education programmes to subnational government.

As the second type, national government established *the Law on the Rationalisation of the Agency Delegation Affairs* and transferred 33 national programmes to subnational government in 1986. Under this law, national government transferred administrative authority and responsibility of seventeen programmes related to community-based services for the old, children, disabled people, and those with mental health problems to local government. This is called **administrative decentralisation** in 1986 as administrative authority and responsibility were given to local government without transferring fiscal resources. As the third type, national and subnational government implemented **fiscal decentralisation** by increasing the rate of the Local Allocation Tax in 1989. As the fourth type, national government transferred administrative authority and responsibility of community-based social programmes for the vulnerable to local government. This was **administrative decentralisation** in 1991 as administrative authority and responsibility were given to local government without fiscal resources. As the fifth type, national and subnational government implemented **political decentralisation in 1991** by abolishing the national government's right to ask the court to dismiss governors and mayors.

Table 7.1 Japan's First Wave of Decentralisation (1982-1991)

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1983-1989	[Unfunded] Administrative	Cabinet Office Decision	<ul style="list-style-type: none"> • Introduced zero-ceiling budget to line ministry • Reduced national subsidies of social and education programmes (i.e., 10% cut) in 1985 • Reduced national subsidies of subnational subsidy of Education programmes in 1989 	National	National	National
1986	Administrative	The Law of Rationalisation of the Agency-Delegation Affairs	<ul style="list-style-type: none"> • Transferred delivery authority and responsibility of residential services for vulnerable people • Fiscal responsibility was shared by national, intermediate, and local government. 	National	National	National
1989	Fiscal	Local Allocation Tax Law	Increased Local Allocation Tax <ul style="list-style-type: none"> • add 25% of Tobacco tax • add 24% of (the newly introduced national consumption tax – the consumption transfer tax) 	National	Subnational	Intermediate, local
1990	Administrative	Eight welfare laws ⁹	Transferred delivery authority and responsibility of residential and community services for vulnerable people	National	National	National
1991	Political	Local Autonomy Law	<ul style="list-style-type: none"> • Abolition of national government's right to ask the court for dismissing governors and mayors 	Subnational	Subnational	Intermediate, local

⁹ The Welfare Law of the Elderly, The Welfare Law of Disabled people, The Welfare Law of those mental health problems, The Welfare Law of Children, The Welfare Law of Mother, Child, and Widow, The Elderly Health Law, The Social Welfare and Health Care Agency Law, and The Social Welfare Service Law

TESTING FALLETI'S THEORY

This section undertakes theory-testing process-tracing by applying Falleti's (2010) sequential theory of decentralisation to Japan's first wave decentralisation. The sequential theory of decentralisation argues that dominant territorial interests in the first negotiation shape the contents and the sequence of decentralisation policies (Falleti 2010: 39, 49). As the earlier type of decentralisation reform has policy ratchet effects through causal mechanisms (i.e., learning, incrementalism, self-reinforcing or reactive mechanisms) on power distribution among territorial actors, the first type of decentralisation reform explains the subsequent types and contents of decentralisation. Hence, Falleti's theory contends that the overall sequence of decentralisation reforms, their causal mechanisms, and their temporality explain the change of subnational autonomy (Falleti 2016).

Theory-testing process-tracing was implemented via three steps of testing whether a theorised causal mechanism was present in the given case (See Beach and Pedersen (2013: 14-15)). In **Step 1**, based on Falleti's theory, a causal mechanism is conceptualised as a set-theoretical form of an entity and an activity in an explicit context. In **Step 2**, the conceptualised causal mechanisms are operationalized into manifestations which would be observed when the theorised causal mechanisms existed. In **Step 3**, empirical evidence is collected further support whether the theorised causal mechanisms are present or if causal mechanisms function as theorised in the given case.

STEP 1: Conceptualisation of Causal Mechanisms

Causal mechanisms of decentralisation reforms in Japan (1982-1991) were conceptualised. Based on Falleti's theory, prevailing national interests prior to the first wave of decentralisation (X) brings about administrative decentralisation as the first type of decentralisation. A low degree of change in subnational autonomy (Y) following the first wave of decentralisation is predicted (Figure 7.1).

Causal mechanisms are conceptualised from the administrative decentralisation reforms in 1983 to the political decentralisation reform in 1991. As prevailing national interests gave bargaining power to national government against subnational government, it *shaped* the unfunded administrative reforms started in 1983 as the first type of

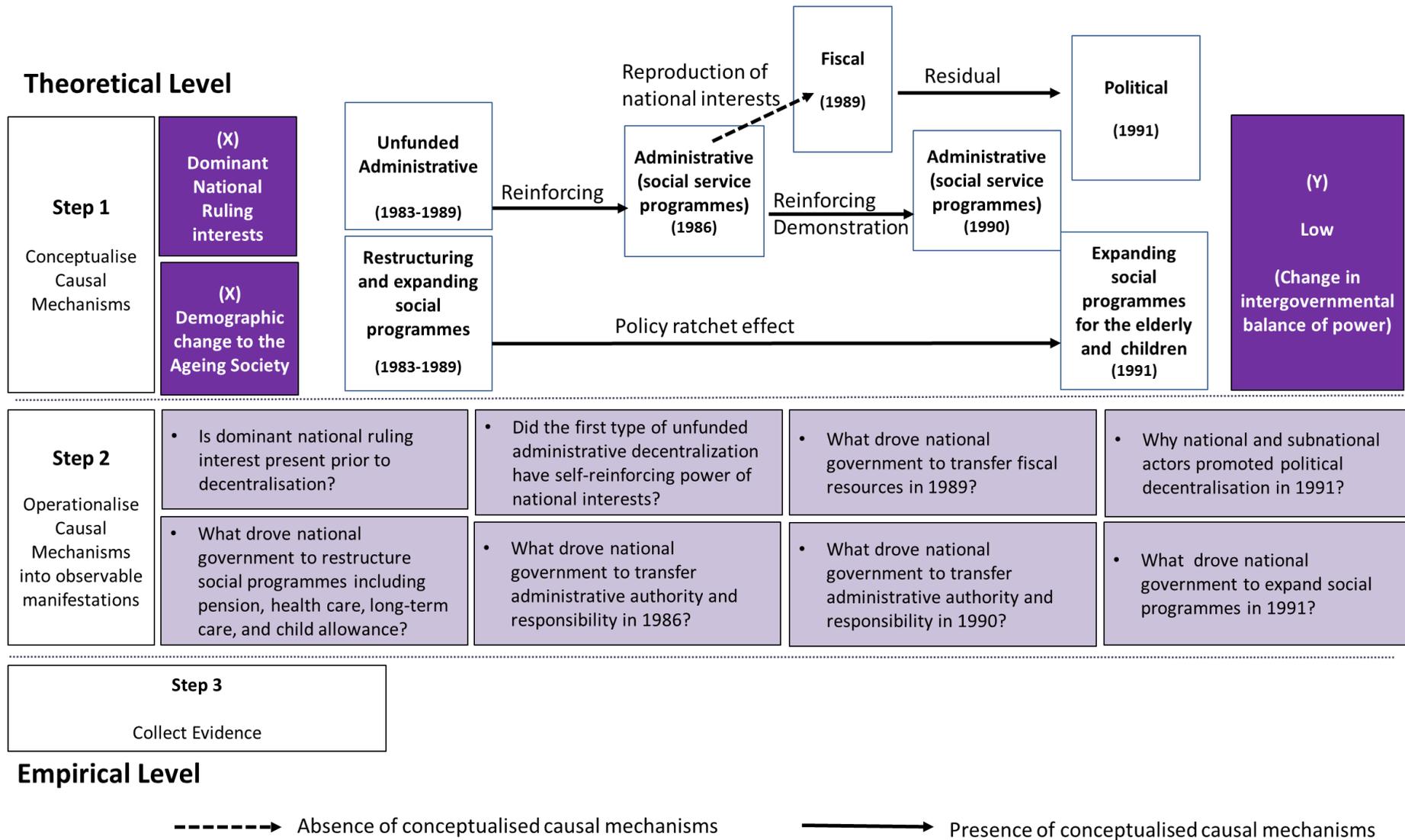
decentralisation. As the unfunded administrative reforms started in 1983 *reinforced* bargaining power of national government, national government was able to implement another administrative decentralisation in 1986 as the second type of decentralisation reforms. As taking an advantageous position from administrative decentralisation reforms started from 1983, national government was able to control the contents and timing of the following fiscal decentralisation reforms in 1989. Hence, introduction of the Subnational Consumption Tax in 1989 rarely *reproduced subnational interests*.

In addition, as the administrative decentralisation reforms in 1986 had *reinforcing demonstration effects*, national government easily transferred the administrative authority and responsibility to subnational government in 1990. Finally, political decentralisation took place in 1991 as a residual decentralisation reform. The national government's authority to dismiss popularly elected governors and mayors were abolished when governors and mayors refused to implement agency-delegation affairs. However, this political decentralisation reform did rarely change intergovernmental balance of power as this authority had not been used since the 1950s.

STEP 2: Operationalization of Observable Manifestations

The conceptualised causal mechanisms are operationalized into observable manifestations. The first wave of decentralisation in Japan took place in the sequence of administrative-administrative-fiscal-administrative-political decentralisation. The presence of prevailing national interests prior to the administrative decentralisation reforms is a necessary condition. The presence of reproduced bargaining power of national government, when negotiations took place the administrative reforms in 1986, is an observable manifestation of reinforcing mechanisms. The fact that national actors, such as ruling actors, took the lead in the negotiation of the fiscal decentralisation reforms in 1989 is the observable manifestation of reinforcing mechanisms. If the same logic used in the administrative decentralisation reforms in 1986 was also present in the administrative decentralisation reforms in 1990, this is an observable manifestation of *a reinforcing demonstration mechanism* from the 1986 to the 1990 administrative decentralisation. In 1991, political decentralisation took place as a residual reform which did not significantly increase subnational autonomy.

Figure 7.1 Theory-Testing Process-Tracing: Japan's First Wave of Decentralisation (1982-1991)



STEP 3: Collecting Evidence

Empirical evidence is collected to update confidence whether the theorised causal mechanisms are present, or if causal mechanisms function as theorised in the given case.

Prior to the start of the first wave of decentralisation, dominant national ruling interests are observed in the minutes of the Diet, several reports of the Rincho II, policy papers, monographs, and journal papers. Under the strong leadership of Prime Minister Suzuki and Nakasone, national government transferred fiscal responsibilities for the agency-delegation programmes, mainly compulsory education and social programmes, to subnational government (Jinno 1995).

The minutes of the Japanese Diet document battles between ruling party and opposition parties. The ruling party endeavoured to pass laws and budgets over the laws and budgets of *the Fiscal Reconstruction Plan*. The opposition coalition, including the JSP, JCP, the Komeito Party, and DSP, opposed the transfer of fiscal burden to subnational governments. Anticipating the negative results from this *Fiscal Reconstruction Plan*, such as increasing subnational government's fiscal burden and welfare retrenchment, opposition parties asked for fiscal reforms that would abolish national subsidies and increase Local Allocation Tax. Furthermore, the JSP requested more fundamental changes including the abolition of *the agency-delegation system* and other forms of national intervention to subnational government (Nakano 2010).

However, the dominant ruling LDP in both Houses adopted the *Fiscal Reconstruction Plan* in 1982 and implemented it over the period of 1983-1989. National government implemented unfunded administrative decentralisation of three ways: introducing a zero-ceiling system for national subsidies in the ministerial level, consolidating national subsidy programmes into the Local Allocation Tax programmes, and reducing the national share of earmarked national subsidy without fiscal compensation (Jinno 1995). The Suzuki Administration forced national line ministries to reduce the total amount of national subsidies by about 10% in 1983. The Nakasone Administration reduced the national subsidy rate of some social and education programmes in 1985. The Takeshita Administration reduced the national subsidy rate of some education programmes in 1989. Hence, this dominant ruling party (LDP) power is an observable manifestation of

prevailing national interests when the first type of administrative decentralisation reforms in 1983 took place.

From the perspective of gradual institutional changes, unfunded administrative decentralisation reforms started in 1983 were implemented by *conversion mechanisms* (Mahoney and Thelen 2009). As national government had a high level of discretion but subnational government had weak veto power on the agency-delegation affairs, national government maintained the agency-delegation system by lowering the subsidy rates in order to reduce national government expenditure (*conversion*)¹⁰. Overall, the presence of dominant national ruling interests is observed prior to the first type of administrative decentralisation. After the first type of unfunded administrative decentralisation reforms in 1983, the processes of decentralisation may diverge into two directions. If the administrative decentralisation reform had self-reinforcing power, national government with increased interests may control the timing, pace, and contents of the next decentralisation reforms (Falleti 2010: 57). In this case, fiscal decentralisation rather than political decentralisation is followed. In contrast, if the previous administrative decentralisation reform confronted exogenous factors (i.e. democratisation) or reactive responses (i.e. subnational actors' strong resistance for the administrative decentralisation), the next type of decentralisation reform would be political decentralisation.

The second type of decentralisation in Japan was again *administrative decentralisation reforms* in 1986. *The Committee for Reviewing National Subsidy Programmes* was established under the Prime Minister as the central ministries related to transferred fiscal responsibilities to subnational government, the JIMIAC and the JMOHLW, demanded reviews of administrative reforms in 1983 (So et al. 2001; J3; J5). After a couple of years negotiations between the JMOF which represented national interests and the JMIAC and the JMOHLW representing subnational interests, in 1986, *the Committee for Reviewing National Subsidy Programmes* decided to transfer administrative authorities and fiscal responsibilities of the residential services for the elderly, disabled people, and children. Although the administrative decentralisation reforms aimed to transfer substantial

¹⁰ Conversion refers to when rules remain formally the same but are interpreted and enacted in new way. The guardians of an institution have weak veto power and the invaders of an institution have high discretion in interpreting rules (Mahoney and Thelen 2009).

authorities to subnational government, substantial amounts of regulatory authorities, such as permission and registration of service providers and fiscal resources, remained in the hands of the JMIAC and the JMOHLW (So et al. 2001; J2).

From the perspective of the gradual institutional change, the administrative decentralisation reforms in 1986 were implemented by a *layering mechanism* (Mahoney and Thelen 2009). As the JMIAC and the JMOHLW opposed to the unfunded administrative decentralisation, the JMOF had little discretion in the interpretation of the agency-delegation system. Instead, the JMOF layered a commissioned affairs system into the existing agency-delegation system by *the Committee for Reviewing National Subsidy Programmes*. This shows how the centralised intergovernmental governance in Japan had gradually changed toward rather decentralised governance.

Overall, the presence of prevailing national interests, particularly the MOF, prior to administrative decentralisation in 1986 is confirmed. Moreover, the first type of decentralisation reform in 1983 reinforced the bargaining power of national government, in particular the JMOF, in the negotiation of administrative decentralisation reforms in 1986. National government justified administrative decentralisation by arguing that local government can plan and deliver better quality in-kind social programmes than national government (J7). However, national government did not transfer salient regulatory power to subnational government by the administrative decentralisation reforms in 1986. This is an observable manifestation that national government's intention to reduce fiscal responsibilities was fulfilled.

As the third type of decentralisation, national and subnational government promoted fiscal decentralisation in 1989. Since the 1970s, tax reforms involving a shift from direct taxes to indirect taxes were discussed in public and private sectors (Beyer and Ishimura 1993: 119). While academics, tax experts, and business actors agreed to introduce indirect taxation, general public and trade unions opposed to the introduction of indirect taxes due to its regressive feature. The public hostility over the introduction of indirect taxes can be seen in the collapse of the Ohira Administration in 1979 and that of the Nakasone Administration in 1987 respectively.

After these consecutive failures, the following Takeshita Administration (1987-1989) presented more solid rationale, linking the introduction of the Consumption Tax and the

increase of public expenditure on social services, for regressive consumption tax hikes. By framing the rationale of this tax hike within population ageing contexts, the Takeshita Administration finally introduced Consumption Tax at 3% of consumer prices in 1989 (Beyer and Ishimura 1993; Diet minutes 1988-1989; J7). However, the ruling LDP had more bargaining power with a majority of seats in the Diets when the fiscal decentralisation reform in 1990 was discussed in the National Assembly. The Takeshita Administration had to accept the request from opposition actors, transferring more fiscal resources to subnational government in order to cover fiscal responsibilities from administrative decentralisation reforms in 1983 and 1986. However, the ruling Takeshita Administration controlled the contents of fiscal decentralisation reforms in 1989 by transferring not tax bases but intergovernmental transfers [the Local Shared Tax]. Therefore, as the third type of decentralisation, national government implemented the fiscal decentralisation reforms in 1990 by increasing the Local Shared Tax by adding 24% of the Consumption Tax and adding 25% of the Tobacco Tax (Diet minutes 1988-1989; J1). Overall, both *reactive compensation mechanisms* and *reproduction* of national interests are present as observable manifestations in the fiscal decentralisation reforms in 1989. On the one hand, the Takeshita Administration had to transfer subnational government fiscal resources in order to compensate the administrative decentralisation reforms in 1983 and 1986. On the other hand, the ruling LDP was able to control the contents of fiscal decentralisation reforms by not transferring tax bases but increasing intergovernmental transfers.

As the fourth type of decentralisation, national government transferred all administrative authority and responsibility of social programmes for the vulnerable to subnational government in 1990. In 1989, the Joint Committee of Social Welfare, Welfare for disabled people, Welfare for Children submitted a recommendation titled *Social Welfare in the Future* to the Takeshita Administration. The recommendation suggested *a grand direction of the future social policies*: the changes from residential services to community services, the establishment of local government centred social service delivery governance, and the fostering of the private service market (J1; So et al. 2001). Based on this recommendation, the JMOHLW transferred administrative authority and responsibility of social programmes to local government by amending eight social welfare laws in 1990. As national government re-used the principle of subsidiary and the logic of moving delivery

closer to the people used in administrative decentralisation reforms in 1983 and 1986, in order to promote administrative decentralisation in 1990, the conceptualised reinforcing demonstration mechanism is present.

As the last decentralisation reform, national government implemented political decentralisation reforms in 1991. In 1990, the Local System Research Council (hereafter LSRC)¹¹, which resides under the Prime Minister since the 1950s, proposed decentralisation agendas (i.e., strengthening subnational council's review authority over the agency-delegation affairs and the abolition of the subnational executive dismissal system by the Prime Minister¹²) to weaken national power over subnational government to the Cabinet Office. Whilst the JCP urged more fundamental review on the agency-delegation system, the ruling LDP and three opposition parties of the JSP, the Komeito Party, and the DSP agreed a series of reforms proposed by the LSRC (Diet minutes 1990-1991; J5). As Falleti (2010) argued, the political decentralisation reform in 1991 implemented as a last residual reform had little impact on subnational interests and autonomy.

Conclusion: Theory-Testing Process-Tracing

The first wave of decentralisation in Japan fits relatively well in Falleti's theory. Prevailing national interests prior to the first type of decentralisation reforms in 1983 lead Japan to the sequence of administrative, administrative, fiscal, administrative, and political decentralisation. As Falleti (2010) predicted, the league tables (Table 6.4 and 6.5 in Chapter 6) indicate that subnational autonomy rarely changed during the first wave decentralisation in Japan. In addition, all the conceptualised causal mechanisms are found in the first wave decentralisation in Japan.

¹¹ The Local System Research Council is an official government advisory council first set up in 1982. As one of the oldest government councils, its initial aspiration was to have a wide purview encompassing everything that related to the continuous improvement of the recently-democratised local government system. A law stipulates that members of the LSRC be appointed from (1) Diet members; (2) members of local assemblies; (3) local chief executives and other officials of local governments; and (4) experts of local affairs. The expert members included academics, journalists, business executives, and two retired bureaucrats from the Ministry of Home Affairs and the Ministry of Finance (Nakano 2010:37)

¹² Even though governors for prefectures and mayors for municipalities in Japan had been elected since 1947, the central government held the right to dismiss governors and mayors when they did not implement the agency-delegated functions or violate laws.

Although Falleti's theory explains the first wave of decentralisation in Japan properly, the result of this theory-testing process-tracing leaves several issues unexplained. Falleti (2010) did not consider the causality from drivers of decentralisation to subnational autonomy. Falleti (2016: 5-6) argues that intensive processes which investigate *after a cause and end before the outcome of interests*, are able to illustrate, test and produce theory. However, the actors' interests are changeable according to the drivers of decentralisation. For instance, population ageing and increased public debts of Japan surely have causal power to change national actors' perception about decentralisation (i.e., transferring authority, responsibility, or both). Moreover, the changed actors' perception about decentralisation has causal power to change the actors' preferences about the types and degrees of decentralisation. Hence, giving attention to extensive processes which *connect cause and outcome through one or more intervening variables* may give more fruitful theoretical and empirical advantages to test and build a theory on decentralisation and subnational autonomy (Falleti 2016: 4).

In the same vein, Falleti's theory cannot explain why the first wave of decentralisation in Japan did not have equal impacts across sectors. Whilst administrative authorities on compulsory education were not transferred to subnational government, the Japanese national government actively transferred administrative authorities on long-term care services to subnational government. This flaw may come from the basic preposition of Falleti (2010) that the prevailing territorial interests as a necessary and sufficient condition to shape either national dominant or subnational dominant decentralisation pathways. Hence, the author would argue that not only the actors' interests but also the actors' perceptions on decentralisation shape the actor's preferences about decentralisation. The ideological factors, such as the partisan ideological orientations, social norms, and public consensus about the Welfare State and decentralisation, have causal power shape the actors' preferences toward decentralisation.

The next section attempts explaining-outcomes process-tracing, considering the theoretical usefulness of ideological approaches, of the first wave of decentralisation in Japan by tracing sufficient explanations about the causality to a low degree of change of the intergovernmental balance of power (Beland 2009).

EXPLAINING-OUTCOMES PROCESS-TRACING

This section undertakes explaining-outcomes process-tracing to expound *what (causes) and how (casual mechanisms)* resulted in a low degree of change in Japanese subnational autonomy after the first wave of decentralisation. Explaining-outcomes process-tracing aims to present *a minimally sufficient explanation of a particular outcome* (Beach and Pedersen 2013: 18-19). Hence, it includes inductive elements of theory-testing (systematic causal mechanisms) and deductive elements of theory-building (case-specific causal mechanisms) to trace the best possible causal pathway of an outcome.

Step 1: Collecting data

First, extensive data was collected by semi-structured interviews with key actors as well as documents and literature including financial statistics, election data, journal papers, policy papers, monographs, White Papers, minutes, and related laws and decrees in English, Japanese and Korean. The collected data includes evidence on interests, ideas, institutional factors, and exogenous factors (Table 7.2).

In terms of *interests*, the ruling LDP had dominant power in the Diet in the 1980s. Although the LDP national politicians were involved in national subsidy allocation, subnational government had continuously developed its capacity alongside the experiences of progressive mayors and governors in the 1960s and 1970s.

In terms of *ideas*, the policy paradigm of neoliberalism, which focuses on enhancing economic efficiency and international competitiveness, was prevailing among national ruling actors since the late 1970. In the same vein, national ruling actors used the agendas of decentralisation and privatisation as a measure of fiscal reconstruction. In contrast, opposition actors understood decentralisation as a means to develop independent subnational self-governance. As scepticism about centralised governance in the ageing society grew among social and political actors, decentralisation was regarded as a solution to improve the quality of public service delivery in these economic and demographic changes.

Institutionally, the Japanese political system consists of a legislative-dominated parliamentary system with a bicameral legislative body. National and subnational government had well-developed bureaucratic governmentality with a Developmental

State Legacy. Japan developed two-tier subnational governance with intermediate government (Prefecture) and local government (Municipality).

External factors such as *economic and demographic changes* affected decentralisation in Japan. Whilst Japanese GDP growth remained above 3%, government debts of GDP continuously increased from 53% in 1980 to 67% in 1990 (World Bank 2016; IMF 2016). In addition, Japan was one of the fastest ageing countries in the world. The population over 65 years old was 7% in 1970 and 14.5% in 1995, whilst the total fertility rate had already decreased to less than 2 in the 1970s and became 1.48 in 1995 (JSTAT 2016; KOSIS 2016).

Table 7.2 Interests, Ideas, Institutions and External Contexts: Japan’s First Wave

Interests	<ul style="list-style-type: none"> • Dominant ruling interests in national politics • Relative independence of subnational politics from national politics
Ideas	<ul style="list-style-type: none"> • The policy paradigm of neoliberalism <ul style="list-style-type: none"> - Fiscal reconstruction: Decentralisation and privatisation - The Japanese-Style Welfare State - Market competition and school choice (jiyuka) - Relaxation of central government regulation (junanka). • Scepticism about centralised governance <ul style="list-style-type: none"> - Decentralisation as a measure to improve the quality of public service delivery
Institutions	<ul style="list-style-type: none"> • Well-developed national and subnational bureaucratic governmentality • Parliamentary system with a bicameral legislative body • The agency-delegation system; compulsory subnational matching fiscal system in social programmes • Relatively decentralised education and social policy tradition
Economic and demographic context	<ul style="list-style-type: none"> • Economic recession after oil shocks of the 1970s • Increasing Government debt of GDP • Rapid population ageing

Second, explaining-outcomes process-tracing with deductive and inductive inferences is undertaken for the first wave decentralisation in Japan. As systematic factors, extant theories on decentralisation and subnational autonomy were used. In the historical perspective, Falleti’s (2010) sequential theory of decentralisation argues the causality from prevailing territorial interests to the degree of change of subnational autonomy. In the rational choice position, Nam and Lee (2007) argue the partisan alignment between national ruling and subnational majority has positive causality to implement subnationally favourable decentralisation reforms. In the same vein, Garman et al. (2001) and Riker

(1975) focus on the causal power of the internal party structures to the political accountability of presidents, legislators, and governors.

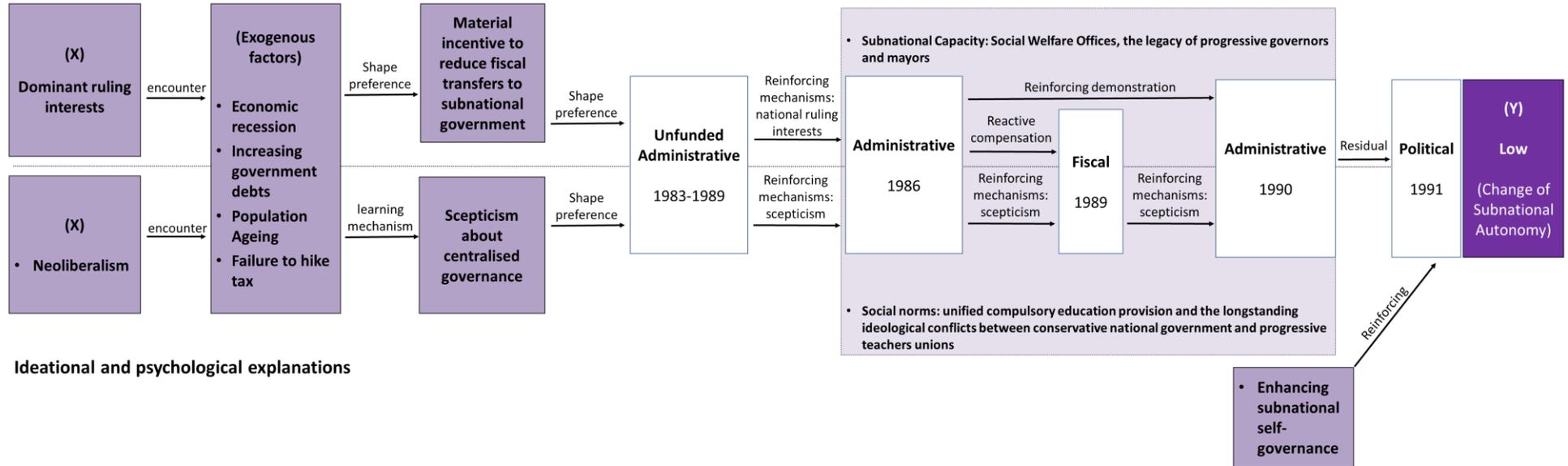
In ideological approaches, Beland (2007) stresses the causal power of ideas in institutional changes to decide types and direction of policy change. In the same vein, Bae (2015) demonstrates the roles of ideas and practical authority in the processes of decentralisation in Korea. From the perspective of governance and capacity, Ziblatt (2004:96) claims the key difficulty of establishing federalism is not constraining the power of the central government but building subnational capacity as a well-functioning part of decentralised governance. As case-specific factors, the social and economic contexts of Japan, such as the economic recession, increased government debts, and population ageing, were considered.

Third, causal forces from materiality and ideas are equally considered. Falleti (2010) assumes that the actors' positions – partisan and territorial memberships – are the only factor to shape the actor's preference about decentralisation. However, the author argues that actors' preferences about decentralisation are shaped by not only actors' partisan and territorial positions but also actors' ideas obtained by perceiving and interpreting issues around decentralisation. Beland (2009: 149) phrases the same concepts as 'logic-of-position' and 'logic-of-interpretation'. Based on Parsons (2007: 13), Beland (2009) states structural and institutional explanations –'logic of position' – trace the causal mechanisms for an actor to reach a certain action under exogenously given structural causal factors and human-made institutional causal factors. In addition, ideational and psychological explanations –'logic-of-interpretation'– trace the processes for actors to perceive and interpret possibility and desirability of their actions.

Hence, the following explaining-outcome process-tracing traces causal pathways to a low degree of change in subnational autonomy by both taking structural and institutional explanations and ideational and psychological explanations (Beach and Pedersen 2013; Beland 2009; Parsons 2007). Returning to research objectives of the thesis (Chapter 1, p. 2), causes to shape the direction and types of decentralisation reforms, and causal mechanisms to determine the change of subnational autonomy shall be traced within the logic-of-position and the logic-of-interpretation.

Figure 7.2 Explaining-Outcomes Process-Tracing: Japan's First Wave of Decentralisation (1982-1991)

Structural and institutional explanations



Step 2: Deductive and Inductive Inferences

Power gives the owners ‘the capacity to reach specific goals and affect outcomes’ (Morriss 2006: 126). In decentralisation processes, dominant (partisan or territorial) interests reflect who has the capacity to decide goals and outcomes – the direction and types – of decentralisation reforms. If national actors have dominant power, national actors’ preferences shape the direction and types of decentralisation reforms. Conversely, if subnational actors have dominant power, subnational actors’ preferences shape the direction and types of decentralisation reforms.

Hence, actors’ interests – mainly derived from actors’ positions – are major factors to shape actors’ preferences about the types of decentralisation. As discussed in Chapter 3 (p. 57-64), national actors and the ruling party prefer transferring administrative and fiscal responsibilities rather than political, administrative, and fiscal authorities. Subnational actors and opposition parties favour the transfer of political, fiscal, and administrative authorities rather than responsibilities. In addition, the ruling party tends to transfer more fiscal and administrative authority when the majority of subnational governments share the ruling partisan interests. Conversely, the ruling party tends to transfer fiscal and administrative responsibility when the majority of subnational governments have opposition interests (Nam and Lee 2007).

Actors’ ideas – paradigms, social norms, public consensus, and frames – contribute to shape actors’ preferences about decentralisation. Actors who perceive decentralisation as a means of democratisation pursue political decentralisation. However, actors who understand decentralisation as a means to implement ideas of New Public Management often support administrative and fiscal decentralisation. Partisan positions – for or against market or big government – also shape actors’ preferences about decentralisation. When social programmes are expanded, the fiscal resource matching obligation given to subnational government – a rule-like practice – shapes the types of decentralisation as partially funded administrative decentralisation. Public consensus limits the actors’ preference about decentralisation. If there is public consensus that equity is more important than efficiency, decentralisation of social programmes is not feasible due to political risks. If there is public consensus that efficiency is more important than equity, decentralisation may be promoted with less public resistance.

The subnational capacity also affects policy options which actors can take into consideration when decentralisation reforms are discussed. If subnational government has enough capacity to deliver transferred administrative responsibilities, national government may implement administrative decentralisation without fiscal and human resources. In contrast, if subnational government does not have enough capacity to deliver transferred responsibility, national government has to transfer fiscal and human resources with administrative responsibilities. Hence, subnational capacity has causal power to shape actors' preferences about types of decentralisation.

Returning to Japan's first wave of decentralisation, the causal pathways are traced from dominant actors, interests, ideas, and subnational capacity to a low degree of change in subnational autonomy (Figure 7.2). Prior to the first wave of decentralisation, national ruling actors had dominant power. The evidence of dominant ruling interests is the party composition within the Diet. Although not gaining majority seats in the election of the Lower House in 1983, the ruling LDP held the Prime Minister's office and majority seats in the Upper House (J 10; JMIAAC 2016). Prior to the first wave of decentralisation in 1983, the existence of agency-delegation system and the Developmental State discussion, dominant ruling power in the Diets is the observable evidence of dominant national interests.

National ruling actors had material incentives to transfer fiscal responsibilities to subnational government. After oil shocks of the 1970s, the growth of the Japanese economy stagnated and government debts increased. After failing to introduce the Consumption Tax in 1979, national government planned neo-liberal administrative reforms, including decentralisation and privatisation, to reduce government expenditure.

National ruling actors supported the policy paradigm of neoliberalism including decentralisation and privatisation (J1; J7). After national government turned its policy priority from tax-hike to neo-liberal administrative reforms, national government established *the Rincho II* in 1981 as the state apparatus to promote privatisation and decentralisation. Prime Minister Nakasone (1982-1987), who had a close relationship with President Reagan, led neo-liberal reforms of decentralisation and privatisation in Japan (Shinoda 2000). From the link between Prime Minister Nakasone and President Reagan,

the neo-liberal policy framework, including privatisation and decentralisation, had causal power to administrative reforms in 1983.

More importantly, economic and demographic changes aroused national ruling actors' attention to scepticism about centralised governance. Japan entered a low growth era after the oil shocks and government debts were increasing year on year. Japan became an ageing society in 1970 and was predicted to be an aged society by early 1990. The structural changes of economy and demography added weight for national government to address economic and social issues. Under these circumstances, the neoliberal paradigm provided national government decentralisation and privatisation as solutions to alleviate government debts and improve the quality of public service delivery (J7).

In addition, the business sector was deeply involved in Japan's first wave of decentralisation. A decentralisation coalition was made between national ruling actors and the business sector (J3). Neoliberalism as a policy paradigm was embodied in the forms of decentralisation and privatisation programmes. Under the leadership of a former Chairman of Japan Business Federation (Keidanren), Doko Toshio, the Rincho II and Gyokakushins, Japan's first wave of decentralisation was promoted as a part of grand administrative reform plans to achieve small government (J3; Nakano 2010).

Moreover, subnational governments in Japan had administrative and fiscal capacity to deliver transferred administrative and fiscal responsibilities as having grown bureaucratic capacity to deliver public services under the agency-delegation system. Subnational government collected 39% of total national revenue and spent 64.5% of a total national expenditure in 1980. Hence, subnational capacity to deliver transferred administrative and fiscal responsibility was present (J1; J7).

In sum, Since the frustrated attempt to hike taxes, dominant national ruling actors who faced economic recession in the late 1970s had to change their preferences from tax hikes to administrative reforms including decentralisation and privatisation. Ruling actors cast doubts about the sustainability of centralised governance under the era of low growth and population ageing. The neoliberal policy framework provided decentralisation as a plausible way to overcome economic and demographic crises which Japan faced. Moreover, subnational government had administrative and fiscal capacity to implement transferred responsibility.

In 1982, the Suzuki Administration established *the Fiscal Reconstruction Plan*. As the first type of decentralisation, unfunded administrative decentralisation took place. During 1983-1989, national government transferred fiscal responsibility – consolidating national subsidy programmes to the Local Allocation Programmes and reducing national subsidies of earmarked programmes – to subnational government (Jinno 1995; J8). Most programmes with higher subsidy rates were in-cash and in-kind social care and benefit programmes and personnel expenses for compulsory education (J8). Consequently, administrative decentralisation during 1983-1989 transferred the fiscal responsibilities to deliver compulsory education and social programmes to subnational government.

After unfunded administrative decentralisation, the JMOF in 1985 decided to reduce the national share of earmarked national subsidy in 1983 without fiscal compensation for three years more. As the JMIAC and the JMOHLW strongly resisted to this JMOF's decision, the Cabinet Office established *the Committee for Reviewing National Subsidy Programmes* to mediate this conflict (So et al. 2001). As Falleti (2010) argues, after administrative decentralisation without fiscal resources, national actors gain more power in the negotiations of the next decentralisation in Japan. The first type of unfunded administrative decentralisation brought noticeable achievement in economic growth and the reduction of government debts, the KMOF gained an advantageous position to negotiate the next round of decentralisation. In 1986, the committee decided to transfer authorities and responsibilities of residential social care services to subnational government.

Alongside reinforced national interests, ideological pathways are traced. With the advent of economic recession and population ageing, national actors started to doubt sustainability of centralised governance in Japan. These individual and collective learning about the inability of centralised governance led to national government transferring administrative authorities and responsibilities for residential social care services to subnational government. If fiscal reconstruction had been the only cause, national government would have transferred solely administrative and fiscal responsibilities to subnational government. However, due to the scepticism about centralised governance, national actors transferred administrative authorities –planning and managing authorities of residential social programmes – as well to subnational government in 1986.

Another cause of the administrative reforms in 1986 was the existence of developed subnational governance to deliver social services. Since the 1950s, administrative apparatus such as Boards of Education and Social Welfare Offices were established in both intermediate and local governments. The Welfare State in Japan was expanded during the era of progressive governors and mayors in 1960s and 1970s and culminated in the first year of the Welfare State of 1973. Based on these administrative apparatus and experiences, subnational government developed enough administrative and organisational capacity to deliver social programmes. Although some academics accused national government of abandoning its responsibility for social service provision (J1; J7), administrative decentralisation in 1986 contributed to increase the policy-making purview of subnational government (So et al. 2001). In sum, reinforced national ruling interests after administrative decentralisation in 1983-1989, the scepticism about sustainability of centralised governance, and subnational capacity to deliver transferred responsibilities have causal power to administrative decentralisation in 1986.

In 1989, national government transferred fiscal resources to subnational government. Although there was consensus amongst academics and experts around tax reforms, the Ohira and the Nakasone Administrations collapsed in the face of strong public opposition. Hence, the Takeshita Administration (1987-1989) created *a political frame* that the introduction of Consumption Tax is required to support social security systems of Japan in an ageing society (Diet minutes 1988-1989).

Falleti's theory, based on actors' positions, assumes that national interests increased significantly after two rounds of administrative decentralisation reforms in 1983 and 1986. As the Consumption Tax introduced in 1989 was justified by using the political frame that links tax hikes and supplements of welfare expenditure, opposition and subnational actors had leverage to ask national government for fiscal transfers to compensate the administrative decentralisation reforms in 1986 (the Diet minutes 1988-1989). In the analyses, once again, we observe that ideas – the frame that linked tax-hikes and the increase of welfare expenditure – have causal power to shape the types of decentralisation. However, the ruling LDP was able to control the contents of fiscal decentralisation - transferring tax bases but the Local Allocation Tax – as having dominant bargaining power vis-à-vis subnational government. In 1990, the Joint Committee of

Social Welfare, Disabled People, and Children submitted a report titled as *the Future of Social Welfare* to the Takeshita Administration. Based on this report, the Joint Committee recommended national government to establish local-centred social service delivery governance national government transferred administrative authorities and responsibilities about social care services to subnational government. Although the ruling LDP lost majority seats in the House of Councillors in 1989, ruling actors still had bargaining power toward subnational actors with a majority in the House of Representatives in 1990. In addition, a reinforcing demonstration mechanism also observed because national government re-used the principle of subsidiary which was used in administrative and fiscal decentralisation reforms 1986. In terms of ideological pathways, the policy framework to establish local-centred social service delivery governance had causal power to promote the administrative decentralisation reforms in 1990. In other words, the awareness of social and political actors about the incapability of centralised governance in an era of population ageing had reinforcing causal power that lead to the administrative decentralisation reforms in 1990. The fact that authorities as well as responsibilities were transferred to subnational government in the administrative decentralisation reform in 1990 is an observable manifestation to show that scepticism of centralised governance had reinforcing causal power. In addition, the administrative decentralisation reforms in 1986 had reinforcing demonstration power to the administrative decentralisation reforms in 1990.

With the administrative decentralisation reforms in 1990, national government transferred authorities and responsibilities over residential and community care services to subnational government. However, national government did not transfer authorities and responsibilities of compulsory education to subnational government. After taking Prime Minister's office, Prime Minister Nakasone promoted neo-liberal administrative reforms. The Rincho II and a Special Ad Hoc Council on Education Reform (Rinkyôshin) were established to promote neo-liberal reforms in general administration and compulsory education respectively. Whilst the Rincho II focused on decentralisation, the Rinkyôshin focused on deregulation, internationalisation, and privatisation (Aoki 2008; Aspinall 2010; J3; J7).

In terms of interests and ideas, it is worth discussing why national government did transfer administrative authorities of social service programmes but did not transfer those of compulsory education to subnational government. First of all, national actors promoted the first wave of decentralisation (1983-1991) in order to reduce national government expenditure. As the expenditure on social service programmes was expected to increase in the ageing society, national actors transferred authority and responsibility of social service programmes to subnational government (J8; J15).

Second, *social norms* – unified compulsory education provision and *the longstanding ideological conflicts* between conservative national government and the progressive Japan Teachers' Union (Nykkyoso) – precluded national government from transferring the authority of compulsory education to subnational government (Aspinall 2001; J8). In contrast, Japan has an experience of non-unified social service provision via progressive governors and mayors. Even the National Basic Income Support System in Japan set the minimum cost of living differently across local governments. Compared to compulsory education, the social norm of unified social service provision is not so strong in Japan.

Lastly, subnational government had capacity to undertake transferred social service programmes. Since the 1950s, social welfare offices established in intermediate and local government had implemented the agency-delegated social service programmes. In addition, social service programmes introduced by progressive governors and mayors were expanded as national programmes in the 1960s and 1970s. In conclusion, although national government had dominant power during the first wave of decentralisation (1983-1991), scepticism about sustainability of centralised governance in the ageing society, a less ideologically controversial feature of social care services compared to compulsory education services, and subnational capacity to deliver transferred administrative responsibilities had causal power to promote administrative decentralisation reforms in 1986 and 1990.

In 1991, ruling and opposition actors promoted political decentralisation. After administrative and fiscal decentralisation, political decentralisation is implemented as a *residual reform* and has little effect on the intergovernmental balance of power. Japanese decentralisation reforms in the 1980s were promoted as a part of grand administrative reform plans to achieve small government (J3; J7; Nakano 2010). In the early 1990s,

National government's interests in decentralisation withered with revived economic growth and reduced government debts. Decentralisation agendas including tangible authority transfers presented by the Gyokayushins and the LSRC were not realised due to strong opposition from central ministries (Nakano 2010). This suggests national actors still held substantial power to control overall decentralisation processes.

In 1991, the LSRC submitted decentralisation reform agendas including the rationalisation of the agency-delegated system, a subnational council review system on agency-delegated affairs, and the abolition of the subnational executive dismissal system by the Prime Minister. The Japanese Diet decided to introduce a subnational council review system on agency-delegated affairs and abolish power of the Prime Minister to dismiss subnational executives. However, the most significant and controversial issue of the rationalisation of the agency-delegation system was not discussed due to strong dissent from national line ministries. In sum, political decentralisation implemented as a residual reform in 1991 had rarely increased subnational autonomy as Falletti's (2010) theory argues (Diet minutes 1990-1991; J3; J7; Nakano 2010).

Conclusion: Explaining-Outcomes Process-Tracing

This section undertakes explaining-outcomes process-tracing for Japan's first wave of decentralisation (1983-1991). Throughout the whole processes, national ruling actors had dominant power to determine the direction of decentralisation. Ruling actors had material incentives to reduce national expenditure by transferring administrative and fiscal responsibilities to subnational government. As the first type of decentralisation, national government transferred fiscal responsibilities of agency-delegated affairs were transferred to subnational government (unfunded administrative decentralisation) in 1983 and 1989. In addition, ruling actors had the policy paradigm of neoliberalism. Facing an era of low growth and population ageing, ruling actors started to doubt sustainability of centralised governance. The diffused neoliberal idea – focusing on markets and decentralisation - shaped national actors' preferences toward administrative decentralisation in 1986 and 1989.

After two rounds of administrative reforms in 1983 and 1986, fiscal decentralisation reforms were promoted by national government. National ruling actors with dominant interests were able to shape the contents of fiscal decentralisation reforms – not the

transfer of tax bases but the increase of intergovernmental transfers in 1989. In 1990, national government transferred administrative authority of residential and community services for the vulnerable to subnational government. Administrative decentralisation in 1986 had policy ratchet effects to administrative decentralisation in 1990. Ideas – neoliberalism and the Japanese-style welfare state – and subnational capacity had causal power to shape actors' preferences of administrative decentralisation in 1990. Lastly, political decentralisation was implemented in 1991 as a residual reform.

As can be seen in Table 6.5, the first wave of post-developmental decentralisation in Japan rarely increased subnational autonomy. As Falleti (2010) argues, prevailing national interests prior to decentralisation negotiations resulted in Administrative-Fiscal-Political sequence of decentralisation and a low level of change in intergovernmental balance of power. At the same time, as the prevailing policy paradigm supporting Japan's first wave of decentralisation was neoliberal fiscal retrenchment, more administrative responsibilities were transferred than fiscal resources and political authorities rarely changed.

Returning to questions cast in Chapter 1, "what shapes the *direction* of institutional changes?", "What determines *types* of decentralisation?", "what shapes the *direction* of institutional changes?", and the causalities were scrutinised.

The direction of decentralisation – giving advantages to national or subnational government – is determined by who has power to reach and affect decentralisation. Throughout the Japan's first wave of decentralisation (1983-1991), ruling actors had dominant power to shape the direction of decentralisation. Ruling actors in Japan decided to move toward decentralised governance by transfer administrative and fiscal responsibilities to subnational government.

The types of decentralisation – administrative, fiscal, and political decentralisation – are shaped by dominant actors' material interests and ideas. During Japan's first wave of decentralisation, ruling actors had material interests to transfer fiscal responsibilities to subnational government. At the same time, ruling actors had ideas – the scepticism of centralised governance, neoliberalism, and the Japanese-style welfare state – to promote the administrative and fiscal decentralisation reforms. Both interests and ideas of ruling actors contributed to shape their preferences toward administrative and fiscal

decentralisation reforms. In addition, the social norm – diversified social service provision – provided a favourable context for transferring administrative authorities to subnational government in 1986 and 1990.

Institutional and structural factors had causal power to shape ruling actors' preferences about types of decentralisation. The experiences of progressive governors and mayors and the agency-delegated system offered subnational government opportunities to build capacity to deliver transferred administrative authorities and responsibilities. In addition, structural changes of economic recession and population ageing created scepticism about centralised governance amongst national actors. This scepticism shaped ruling actors' preferences toward administrative decentralisation.

Lastly, the first wave of decentralisation resulted in a low degree of change in subnational autonomy. *What determines the degree of subnational autonomy after decentralisation?* It is too early to answer this question with the case of Japan's first wave of decentralisation. The answer may emerge only after the analysis of Japan's second wave of decentralisation and the case of Korea.

Chapter 8 Korea' First wave: Decentralisation and Democratisation

INTRODUCTION

As with Brazil (Falleti 2010: 152), it took more than a decade for Korea to move from the waning of developmentalism in the late 1970s to a neoliberal state in the 1990s (Ji 2011; Minns 2001; Pirie 2008). In Korea, *the 1979 Economic Stabilisation Measures*, including financial and trade liberalisation planned under the Park ChungHee Administration (1961-1979), were the first step from developmentalism to post-developmentalism (Ha 1992; Ji 2011). Drawing on neoliberal-minded economic bureaucrats, the post-developmental reforms continued in the Chun DooHwan Administration (1980-1987).

The 1980s post-developmental reforms mainly focused on correcting government failures including inefficient allocation of financial resources and overinvestment, driven by centrally planned developmental strategies (Pirie 2008). During the Chun DooHwan Administration, national government-centred developmentalism was continued in Korea although the Fifth Five-Year Economic and Social Development Plan (1982-1987) contained neo-liberal reforms such as trade liberalisation and greater autonomy for banking system. Moreover, when Kim Jaelk, the Chief planner of Korean neoliberal reforms, passed away in 1983, liberalisation reforms soon lost momentum in the face of strong resistance from domestic economic actors.

In the later 1980s, domestic democratisation movements facilitated the transition to a post-developmental state. The transition started with the 1987 Constitutional Reform – including the direct presidential election and subnational self-governance – aiming for a move from centralised and authoritarian governance to democratised and decentralised one. From democratisation movement in 1987 to the Asian Financial Crisis in 1997, Korea underwent a long period of transition from developmentalism to neoliberalism (Ji 2011; Pirie 2008). Therefore, although there is no academic agreement concerning when the Korean developmental state ended, or indeed whether the Korean developmental state has ended (Moon and Chung 2014), this thesis understands the 1987 Constitutional Reform as the start of post-developmentalism and the 1997 Asian Financial Crisis as the impetus for a move toward a neoliberal state (Ji 2011; Moon and Chung 2014).

KOREA'S FIRST WAVE OF DECENTRALISATION (1989-1997)

Actors, Interests, and Ideas

The actors, interests, and ideas of the first wave decentralisation are outlined. First, politicians from ruling and opposition parties were the main actors during the first wave of decentralisation (1989-1997). In common with Argentina and Mexico who began post-developmental decentralisation in 1978 and 1983 respectively (Falleti 2010), Korea shared an authoritarian context with low political contestation. Due to subnational self-governance being dormant for thirty years, no subnational actors existed when political decentralisation was discussed in the late 1980s. Instead, opposition politicians allied with the grassroots public advocated subnational interests. The Committee for the Constitutional Amendment Proposal and the Eight-Party Talks – consisting of ruling and opposition politicians – led the Constitutional Reform in 1987.

After democratisation in 1987, regionalism instigated by interregional economic disparity – the legacy of the authoritarian government and the developmental state – entrenched territorialised party politics at the national level (K33; Park 2008). The economically affluent southeast regions supported the ruling party, whilst the economically deprived middle and southwest regions supported opposition parties. Up to the end of the first wave of decentralisation, only territorialised partisan interests (i.e., a coalition between national ruling and the southeast vs. a coalition between national opposition and the southwest), were present. In sum, ruling interests were prevailing in the national level during 1980-1996 except for two years in 1988 and 1989. After political decentralisation in 1991, the ruling party was dominant during 1991-1995 and opposition parties were dominant after 1995 in subnational politics.

Second, central ministries were actively involved in the first wave of decentralisation. During the first wave of decentralisation, national line ministries planned and implemented administrative and fiscal decentralisation. Economic bureaucrats from the Economic Planning Board (KEPB), the Ministry of Finance (KMOF), and the Ministry of Finance and Economy (KMOFE) had significant power to control fiscal decentralisation. The Ministry of Interior (KMOI) planned and implemented administrative and fiscal decentralisation. Other line ministries were reluctant to transfer administrative authority

to subnational government as it means the shrinks of their power. Under a strong developmental state legacy, the power of KEPB and KMOFE were stronger than other ministries during the first wave of decentralisation.

Third, ideologically, decentralisation was a route for *deepening democracy, achieving balanced national development, and responding to globalisation*. As decentralisation was regarded as a synonym of democratisation in the 1980s, opposition actors advocated decentralisation as well as ruling actors being unable to explicitly oppose to decentralisation (K6; K33). The general public also regarded decentralisation as a measure of democratisation. Furthermore, general public was rather reluctant to administrative and fiscal decentralisation because decentralisation might aggravate interregional economic disparity. Therefore, public interests about decentralisation were declined significantly after political decentralisation in 1991 and 1992 (K2).

As the uneven territorial developmental strategy of the authoritarian administrations (1961-1987) resulted in interregional economic disparity, decentralisation was regarded as a measure to establish balanced national development in Korea (Bae 2015; Park 2008). National politicians of the authoritarian administrations who led an export-oriented economic development invested fiscal and institutional resources to several selected regions (i.e., Seoul, Gyeonggi, and the southeast including Busan, Daegu, and North and South Gyeongsang). The authoritarian administrations and the selected regions were secured with personal, academic, and family relations.

In contrast, subnational government located in the southwest (i.e., Gwangju, and North and South Jeolla) was marginalised from the centralised national development plans. As the Korean economy grew, the economic disparity between the southeast and the marginalised southwest increased significantly. This interregional conflict became more entrenched within territorialised party politics. Each territorial interest was intermingled with partisan interests based on the hometowns of the key politicians. Therefore, alongside with idea of democratisation, opposition politicians had electoral incentives to promote decentralisation, more exactly deconcentration, as a means of balanced national development.

Fourth, international relations surrounding Korea provided a favourable context prior the first wave of decentralisation. Gorbachev's *glasnost (openness) and perestroika*

(*restructuring*) in 1985 gradually mitigated ideological tensions. As the Cold War ended, the Korean national actors lost an overused excuse – the threats from North Korea – to postpone political decentralisation. Facing global pressure to free trade, Korea started to open its domestic market. The Korea-US Trade Agreement was made in 1988 and Korea joined the Uruguay Round in 1993. Moreover, the Kim YoungSam Administration (1993-1998) exploited the paradigms of globalisation and localisation to justify trade liberalisation.

In the education policy area, the globalisation paradigm was translated into *the Education Reform Plan of the Civilian Administration (the 5.31 Education Plan)* in 1995. The Plan and its subsequent implementation aimed to improve the quality of education services by establishing a liberalised, decentralised, and individualised system (Ahn and Ha, 2015). What promoted the 5.31 Education Plan was President Kim YoungSam's will to expand education investment, the ruling party's political interests to increase public supports, and the international trend of globalisation. In the social care area, in-cash and in-kind social programmes remained as residual services operated by strict means-tests. Universal programmes based on social rights were not introduced during the first wave of decentralisation.

Fifth, territorialised party politics strengthened hierarchical internal party structure. As political decentralisation was delayed, territorialised party politics hardened as national politicians were the only way for subnational residents to influence resource allocation (Park 2008). After political decentralisation in 1991 and 1995, national parties controlled subnational politicians by the party nomination system. Under territorialised party politics, the partisan identity of a candidate is the most important factor of an electoral success. National politicians developed a strict party nomination system – each party nominating one candidate in every electoral constituency – in subnational elections (Kwon YJ 2013; K33). As rules of the game, subnational election rules in Korea reinforced the power of national politicians over subnational politicians by giving them institutional advantages. Therefore, territorialised party politics and subnational election rules precluded the growth of subnational interests in Korea.

Sixth, the Korean government did not need to concern economy and population ageing compared to the Japanese government. Korea enjoyed robust economic and fiscal

conditions during the first wave of decentralisation. The Korean economy grew about 7% every year and government debt of GDP was less than 15% until the 1997 Asian Financial Crisis (BOK 2016; IMF 2016). In addition, population ageing was not a main social issue in Korea during the first wave of decentralisation. The total fertility rate was decreased from 2.23 in 1985 to 1.70 in 1995. The population over 65 years was 5.1% in 1990 and 7.2 % in 2000 (KOSIS 2016).

In conclusion, Korea's first wave of decentralisation was dominated by national actors. The 'growth pole' economic development strategy of authoritarian administrations resulted in interregional economic disparity (Bae 2015: 10; Park 2008). In return, interregional economic disparity crystallised territorialised party politics. Territorialised party politics reinforced hierarchical internal party structure by the strict party nomination system. The ideas promoted by Korea's first wave of decentralisation were democratisation and balanced national development. National actors increased education investment but did not increase in-cash and in-kind social programmes because national actors did not perceive economic recession and population ageing as significant issues.

Sequence of the First Wave of Decentralisation

As Korea has fragmented subnational governance of subnational government and subnational education governance, the first wave of decentralisation is investigated in two streams: the decentralisation stream and the compulsory education stream.

The Decentralisation Stream

The decentralisation stream driven by the grassroots democratisation movements took place in the sequence of *Fiscal – Political/Administrative – Administrative/Fiscal – Political/Administrative – Administrative Decentralisation*. In 1989-1990, **fiscal decentralisation** reforms were implemented. After the Korea-US Trade Agreement, the Korean national government transferred national Tobacco Tax to subnational government. In 1990, as a subnational tax, Excessive Land Retention Tax was expanded to Comprehensive Land Tax in order to regulate real estate speculation.

In 1991, ruling and opposition actors promoted a series of decentralisation reforms. Ruling and opposition parties agreed to introduce direct election of subnational councillors in two-tier subnational governance (**Political Decentralisation**). On the

coattails of prevailing ruling interests, the Roh TaeWoo Administration (1988-1993) was able to limit political decentralisation to subnational councillors. National government transferred road maintenance, sewage management, and general waste disposal programmes to subnational government with the Local Transfer Grant (**Funded Administrative Decentralisation**). National government reviewed and transferred administrative authority and responsibility between 1991 and 1998 (**Administrative Decentralisation**).

In 1992, national government implemented administrative and fiscal decentralisation reforms. National government transferred national programmes of regional development with the increased Local Transfer Tax to subnational government (**Funded Administrative Decentralisation**). In addition, national government increased the subnational taxing authority by introducing Regional Development Tax and increasing Subnational Councils taxing authority on subnational taxes (**Fiscal Decentralisation**) (Lee 2012).

In 1995, national government implemented political and administrative decentralisation reforms. The ruling and opposition parties introduced direct elections of governors and mayors (**Political Decentralisation**). National government transferred rural areas' sewage maintenance programmes and rural roads maintenance with the increased Local Transfer Tax (**Funded Administrative Decentralisation**). In 1997, National government transferred national programmes of regional development with the increased Local Transfer Tax to subnational government (**Funded Administrative Decentralisation**) (Lee 2012).

The nine types of decentralisation reforms in the decentralisation stream are detailed in Table 8.1

Table 8.1 Korea's First Wave: The Decentralisation Stream (1989-1997)

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1989 (T1)	Fiscal	Local Tax Law	<ul style="list-style-type: none"> • Six tobacco related taxes consolidated into Tobacco Consumption Tax of a subnational tax. 	National Executives	National	Intermediate, Local
1990 (T1)	Fiscal	Local Tax Law	<ul style="list-style-type: none"> • Introduced Comprehensive Land Tax 	National Coalition	Subnational	Intermediate, Local
1991 (T2)	Political	Local Autonomy Law	<ul style="list-style-type: none"> • Introduced popular elections for intermediate and local councillors 	National Coalition	Subnational	Intermediate, Local
1991 (T2)	(Funded) Administrative	Local Transfer Grant Law	<ul style="list-style-type: none"> • Introduced Local Transfer Grant; 557 billion won • Transfer administrative responsibilities for road maintenance, sewage management, and general waste disposal (497 billion won) 	National	Subnational	Intermediate, Local
1991-1998 (T2)	(Unfunded) Administrative		<ul style="list-style-type: none"> • Transferred national programmes - Decided to transfer 2008 programmes up to 1998 - 1743 programmes were actually transferred up to 2002 	National Executives	National	National
1992 (T3)	(Funded) Administrative	Local Transfer Grant Law	<ul style="list-style-type: none"> • Increased Local Transfer Grant Tax (599 billion won) • A total of Local Transfer Grant in 1992 (1251 billion won) • National programmes such as rural community development programmes, water pollution prevention programmes, and programmes for Youth Development (499 billion won) were transferred to subnational government. 	National	Subnational	Intermediate, Local

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1992 (T3)	Fiscal	Local Tax Law	<ul style="list-style-type: none"> Introduced the regional development tax When subnational government does tax cuts or tax hikes within the standard tax rate system, consent from the KMOI was abolished. Instead, consent from subnational council is needed. 	National	National	Subnational
1995 (T4)	Political	Local Autonomy Law	<ul style="list-style-type: none"> Introduced popular elections for governors and mayors 	National Coalition	Subnational	Intermediate, Local
1995 (T4)	(Funded) Administrative	Local Transfer Grant Law	<ul style="list-style-type: none"> Increased Local Transfer Grant Tax (200 billion won) A total of Local Transfer Grant in 1995 (1870 billion won) As a compensation for the 1993 Uruguay Round, fiscal investment for agricultural and fishery industries increased (200 billion won). 	National	Subnational	Intermediate, Local
1997 (T5)	(Funded) Administrative	Local Transfer Grant Law	<ul style="list-style-type: none"> Increased Local Transfer Grant Tax (411 billion won) A total of Local Transfer Grant in 1997 (3189 billion won) As the national plan for water pollution prevention in 1996, water pollution prevention, environment protection, and community development programmes (including 8303 civil servants related agriculture improvement) were transferred to subnational government (411 billion won). 	National	Subnational	Intermediate, Local

The Compulsory Education Stream

During the first wave of decentralisation, compulsory education was expanded. As Local Education Offices were located in intermediate government to deliver compulsory education services, compulsory education expansion inevitably resulted in administrative decentralisation. In the compulsory education stream, decentralisation took place in the sequence of *Fiscal – Political/Fiscal – Administrative – Fiscal – Administrative – Fiscal Decentralisation*.

In 1989, national government forced subnational government to transfer 30% of the Tobacco Consumption Tax to subnational education governance (**Horizontal Fiscal Decentralisation**). In 1990, national government dismissed 1465 teachers because they joined the National Teachers Association (the NTA event). In order to calm the rising grievances of teachers after the NTA event, in 1990, national government introduced the Special Account for Education Facility Improvement (**Vertical Decentralisation**). In 1991, ruling and opposition parties introduced indirect elections of Boards of Education and the Educational governors in one-tier subnational education governance (**Political Decentralisation**). National government transferred fiscal resources to subnational education governance by increasing the Education Tax and introducing the Local Education Transfer Grant (**Fiscal Decentralisation**).

In 1992, national government expanded compulsory education from primary to junior high education for small counties in rural areas (**Administrative Decentralisation**). In 1993, national government transferred fiscal resources to subnational education governance by increasing national transfers (i.e., the increase of the Education Tax). Furthermore, the subnational government transfer (i.e., the increase of the Tobacco Tax) to subnational education governance was increased (**Vertical and Horizontal Fiscal Decentralisation**). In 1994, national government expanded compulsory education for the large counties in rural areas (**Administrative Decentralisation**). In 1996, fiscal resources were once again transferred to subnational education governance by increasing national transfers. National government increased subnational revenues by increasing Residential Tax and subnational government increased their transferred to subnational education governance (**Vertical and Horizontal Fiscal Decentralisation**). The seven types of decentralisation reforms in the compulsory education stream are detailed in Table 8.2.

Table 8.2 Korea's First Wave of Decentralisation: The Compulsory Education (1989-1997)

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1989 (T1)	Fiscal <u>from SG to SE</u>	Local Education Grant Law	<ul style="list-style-type: none"> Tobacco Consumption Tax (30%) transferred from subnational governance to subnational education governance in metropolitan cities. 	National Executives	National	Subnational education
1990 (T1)	Fiscal to SE	The Law of the Special Account for Education Facility Improvement	<ul style="list-style-type: none"> Introduced the special account for education facility improvement in 1990-1992 	National Coalition	National	Subnational education
1991 (T2)	Political to SE	Local Education Autonomy Law	<ul style="list-style-type: none"> Introduced indirect elections of Boards of Education and Superintendents of Education 	National Coalition	Subnational	Subnational education
1991 (T3)	Fiscal to SE	Education Tax Law	<ul style="list-style-type: none"> Increased the tax bases and rates of Education Tax 	KMOF, KEPB	National	Subnational education
	Fiscal to SE	Local Education Transfer Grant Law	<ul style="list-style-type: none"> Introduced the Local Education Transfer Grant funded by Education Taxes and surplus 	KMOF, KEPB	National	Subnational education
1992 (T4)	Administrative to SE	Presidential Decree of expanding compulsory education to Junior High school	<ul style="list-style-type: none"> Selective expansion (from isolated areas in 1986 to small counties in rural areas in 1992) of compulsory education from primary to junior high school education 	KMOE	National	Subnational education

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1993 (T5)	Fiscal to SE	Education Tax Law	<ul style="list-style-type: none"> Increased the Education Tax 	National	National	Subnational education
	Fiscal to SG	Local Tax Law	<ul style="list-style-type: none"> Increased the Tobacco Consumption Tax rate 	National	National	Subnational
	Fiscal <u>from SG to SE</u>	Local Education Grant Law	<ul style="list-style-type: none"> Increased the Tobacco Consumption Tax transfer from metropolitan cities to subnational education governance (30% to 45%) 	National	National	Subnational education
1994 (T6)	Administrative to SE	Presidential Decree of expanding compulsory education to Junior High school	<ul style="list-style-type: none"> Selective expansion (from small counties in rural areas in 1992 to large counties in rural areas in 1994) of compulsory education from primary to junior high school education 	KMOE	National	Subnational education
1996 (T7)	Fiscal to SE	Education Tax Law	<ul style="list-style-type: none"> Increased the tax bases of Education Tax 	National	National	Subnational education
	Fiscal to SG	Local Tax Law	<ul style="list-style-type: none"> Increase the Residential Tax 	National	Subnational	Subnational
	Fiscal From SG to SE	Local Education Law	<ul style="list-style-type: none"> Introduced subnational statutory transfers to subnational education governance (2.6% of a total of intermediate taxes) 	National	National	Subnational education

TESTING FALLETI'S THEORY

Theory-testing process-tracing is undertaken by applying Falleti's (2010) sequential theory of decentralisation to Korea's first wave of decentralisation. Theory-testing process-tracing is implemented in three steps of testing whether a theorised causal mechanism is present in the given case (See Beach and Pedersen (2013: 14-15)). In **Step 1**, based on Falleti's theory, causal mechanisms are conceptualised as a set-theoretical form of an entity and an activity in an explicit context. In **Step 2**, the conceptualised causal mechanisms are operationalized into manifestations which would be observed when the theorised causal mechanisms existed. In **Step 3**, empirical evidence supports whether the theorised causal mechanisms are present and if causal mechanisms function as theorised in the given case.

STEP 1: Conceptualisation of Causal Mechanisms

Causal mechanisms in the first wave decentralisation in Korea are conceptualised in two streams: *a decentralisation stream* (Figure 8.1) and *a compulsory education stream* (Figure 8.2).

The Decentralisation Stream

The decentralisation stream unfolded in a sequence of *Fiscal – Political/Administrative – Administrative/Fiscal – Political/Administrative – Administrative Decentralisation*. As Falleti (2010) would predict, tied ruling and opposition interests – given that subnational politics were absent until 1991 – *brought about* fiscal decentralisation in 1989 and 1990 as the first type of decentralisation. As political decentralisation and funded administrative decentralisation entailed fiscal reforms in 1989 and 1990, a *self-reinforcing mechanism to increase opposition interests* is conceptualised between fiscal decentralisation in 1989 and 1990 and political and administrative decentralisation in 1991. As a residual reform, national government promoted administrative decentralisation in 1991-1998.

After political decentralisation in 1991, national government introduced the Regional Development Tax. Hence, a *self-reinforcing mechanism to increase subnational interests* is conceptualised between political decentralisation in 1991 and fiscal decentralisation in 1992. After fiscal decentralisation in 1992, ruling and opposition parties introduced direct

elections of governors and mayors in 1995. Hence, a *self-reinforcing mechanism to increase subnational interests* is conceptualised between fiscal decentralisation in 1992 and political decentralisation in 1995. Moreover, a *reinforcing demonstration effect* from political decentralisation in 1991 to political decentralisation in 1995 is conceptualised.

After funded administrative decentralisation in 1991, national government expanded the Local Transfer Grant to support regional development programmes between 1992 and 1995 under a favourable context of strong economic growth. *Reinforcing demonstration mechanisms* are conceptualised from funded administrative decentralisation in 1991 to funded administrative decentralisation between 1992 and 1997.

The Compulsory Education Stream

National government expanded education investment by transferring fiscal resources to subnational education governance. Vertical transfers refer to fiscal transfers from national to subnational governance and horizontal transfers refer to fiscal transfers from subnational governance to subnational education governance.

After national government transferred the Tobacco Consumption Tax to subnational government in 1989, it legislated that subnational government transfers 30% of Tobacco Consumption Tax to subnational education governance. In 1990, national government increased education investment by introducing the Special Account for Education Facility Improvement in 1990 in order to calm teachers' resistance after the NTA event. Hence, a reinforcing mechanism is conceptualised from trade liberalisation and the NTA event to fiscal decentralisation in 1989 and 1990.

With less legitimacy to maintain Defence Taxes after the Cold War, in 1991, national government increased vertical fiscal transfers by introducing the Local Education Transfer Grant. Hence a reinforcing mechanism is conceptualised from the end of the Cold War to fiscal decentralisation in 1991. In addition, after fiscal decentralisation in 1989 and 1990, national government and the education sector revived the indirect election of Boards of Education and Educational Governors. Hence, a reinforcing mechanism is conceptualised from fiscal decentralisation in 1989 and 1990 to political decentralisation in 1991. As a residual reform, in 1992, national government expanded compulsory education from primary to junior high education at small counties in rural areas. In 1993, national

government transferred fiscal resources – by an increase of Education Tax – to subnational education governance. Moreover, national government increased Tobacco Consumption Tax and legislated that subnational government transfers fiscal resources to subnational education governance. Hence, a compensation mechanism is conceptualised from administrative decentralisation in 1992 to fiscal decentralisation in 1993. A *reinforcing demonstration mechanism* is conceptualised from fiscal decentralisation in 1989 and 1991 to fiscal decentralisation in 1993.

In 1994, national government expanded compulsory education from primary to junior high education at large counties in rural areas. A *reinforcing demonstration mechanism* is conceptualised from administrative decentralisation in 1992 to administrative decentralisation in 1994. In 1996, national government increased vertical transfers to subnational education governance by increasing the Education Tax. In addition, national government increased horizontal transfers from subnational government to subnational education governance by introducing statutory transfers of 2.6% of intermediate taxes. A *reinforcing demonstration mechanism* is conceptualised from fiscal decentralisation in 1993 to administrative decentralisation in 1996.

STEP 2: Operationalization of Observable Manifestations

The Decentralisation Stream

The *presence of tied ruling and opposition interests* was a necessary and sufficient condition for Korea to implement fiscal decentralisation reform in 1989 and 1990. The increase of subnational interests after fiscal decentralisation in 1989 and 1990 is an observable manifestation of a *reinforcing mechanism* to political and administrative decentralisation in 1991. An observable manifestation for a *reinforcing mechanism* to political and administrative decentralisation in 1991 is the increased opposition interests after the first type of fiscal decentralisation. In 1991, unfunded administrative decentralisation in 1991-1998 took place as a residual reform which had little influence on subnational autonomy.

An observable manifestation for a *reinforcing mechanism* to fiscal decentralisation in 1992 is the increased opposition interests after fiscal, political, and administrative decentralisation between 1989 and 1991. Another observable manifestation of a

reinforcing demonstration mechanism from political decentralisation in 1991 to political decentralisation in 1995 is that opposition actors used the same rationale of political decentralisation in 1991. An observable manifestation of a reinforcing mechanism to political decentralisation in 1995 is the increased opposition or subnational interests after fiscal decentralisation in 1992. Observable manifestations of *reinforcing demonstration mechanisms* from funded administrative decentralisation in 1991 to funded administrative decentralisation between 1992 and 1997 are that national actors justified it with the same rationale of funded administrative decentralisation in 1991.

The Compulsory Education Stream

An observable manifestation of *a reinforcing mechanism* to the first type of fiscal decentralisation is the presence of tied ruling and opposition interests before the first wave of decentralisation. An observable manifestation of *a reinforcing mechanism* to political decentralisation in 1991 is the presence of the increased opposition or subnational interests after fiscal decentralisation in 1989-1990. As a residual reform, in 1992, national government expanded compulsory education from primary to junior high education for small counties in rural areas.

An observable manifestation for *a reinforcing compensation mechanism* to fiscal decentralisation in 1993 is whether national actors promoted fiscal decentralisation in order to compensate administrative decentralisation in 1992. In addition, if national government used the same method, fiscal decentralisation in 1991 had a reinforcing demonstration mechanism to fiscal decentralisation in 1993.

An observable manifestation for *a reinforcing demonstration mechanism* to administrative decentralisation in 1994 is whether national government used the same logic in order to decentralise administrative authority and responsibility in 1992 and 1994. In the same vein, an observable manifestation for *a reinforcing demonstration mechanism* from the 1993 fiscal decentralisation to the 1996 fiscal decentralisation is whether national government used the same method in fiscal decentralisation of 1993 and 1996.

STEP 3: Collecting Evidence

Empirical evidence was collected to support whether the theorised causal mechanisms are present and if causal mechanisms function as theorised in Korea's first wave of decentralisation.

The Decentralisation Stream

In line with the change of global politics, for Korea, the 1980s was the period of post-developmental economic and political changes. While changed domestic circumstances such as the end of the authoritarian regime (1961-1979) brought political changes toward democratisation and decentralisation, the ideological diffusion of neoliberalism in the 1980s facilitated economic and trade liberalisation. In particular, the collapse of the Soviet Union accelerated the post-developmental decentralisation reforms in Korea by lessening the importance of ideological disputes between capitalism and communism.

Prior to fiscal decentralisation in 1989, tied ruling and opposition interests are observed in the election statistics, the minutes of the National Assembly, monographs, and journal papers. Whilst democratisation movements led by opposition actors and grassroots public requested fully-fledged political decentralisation, dominant ruling interests in the National Assembly delayed political decentralisation. After opposition actors gained a majority in the National Assembly in 1988, opposition actors amended the Local Autonomy Law with direct elections of governors, mayors, and subnational councillors (K33). Yet, President Roh TaeWoo exercised the presidential veto over the amended Local Autonomy Law (Oh 2014). This confirms the presence of tied ruling and opposition interests prior to the first wave of decentralisation.

As Falleti (2010) argues, *tied ruling and opposition interests were present* prior to the first type of fiscal decentralisation. However, direct causes of fiscal decentralisation in 1989 and 1990 were trade liberalisation and real estate speculation in the late 1980s instead of tied ruling and opposition interests (Kwon 2004). As result of the Korea-US Trade Agreement in 1988, the Roh TaeWoo Administration in 1989 transferred national taxes related to tobacco to subnational government. In 1990, the Roh TaeWoo Administration expanded Excessive Land Retention Tax – a sort of subnational taxes – to Comprehensive Land Tax in order to regulate real estate speculation (Lee 2012; Oh 2014).

After the 1989 presidential veto over political decentralisation, the ruling party regained a majority in the National Assembly and controlled the timing and contents of political decentralisation in 1990. Finally, ruling and opposition parties agreed to amend Local Autonomy Law which included the elections of subnational councillors in 1991 and the elections of governors and mayors in 1992 (K6). Hence, fiscal decentralisation in 1989 and 1990 *did not reproduce opposition interests* which would promote political decentralisation in 1991. Instead, the grassroots democratisation movements allied with opposition party promoted political decentralisation in 1991 (K5; K6; K33).

As political decentralisation was scheduled in 1991, national government prepared imminent subnational self-governance by transferring administrative authority and fiscal resources (Lee 2012). The growing Korean economy in the 1980s provided a favourable context to introduce a new intergovernmental fiscal transfer system. In 1991, national government introduced the Local Transfer Grant – a new non-earmarked block grant for regional development – and transferred administrative authority and responsibility for road maintenance to subnational government. As the ruling party regained a majority in the National Assembly in 1990, fiscal decentralisation in 1989 and 1990 *did not reproduce opposition or subnational interests* which would promote decentralisation reforms favouring subnational government. Instead, what facilitated funded administrative decentralisation in 1991 were *the scheduled political decentralisation in 1991 and the reactions of national actors to prepare it* (PCPP 2008).

The Roh TaeWoo Administration established the Joint Committee for Devolution (JCD) and the Subnational Self-Governance Task Force in order to prepare political decentralisation in 1991 (K33; Lee 2012; Nam and Lee 2008; PCPP 2008). The JCD – consisting of non-governmental delegates, and national and subnational civil servants – was established at the Ministry of Government Administration (PCPTCA 2003). As Falletti (2010) would assume, administrative decentralisation was implemented as a residual reform in 1991-1998. However, national government was not able to transfer substantial responsibilities and authorities to subnational government between 1991 and 1998. The reasons for this include the reluctance of central line ministries to transfer administrative authorities to subnational government, undeveloped subnational organisational capacity

since political decentralisation in 1991, and the absence of legal authority supporting the JCD's decision to bind national and subnational government (K31; PCPP 2008).

The Subnational Self-Governance Task Force – consisting of civil servants from national and subnational government – introduced *Regional Development Tax* to finance fiscal resource for balanced regional development in 1992 (Lee 2012). In addition, national government's control on subnational taxing authorities was relaxed by abolishing the KMOI's consent to change subnational tax rates within the standard tax rate system. What facilitated fiscal decentralisation in 1992 were *political decentralisation in 1991 and the reactions of national actors to its implementations*.

In 1992, national government transferred more administrative authority and responsibility concerning regional development – rural community development, water pollution prevention, and Youth Development – to subnational government (Lee 2012). Local Transfer Grant was increased to finance these transferred regional development programmes. When ruling and opposition actors promoted funded administrative decentralisation in 1992, public service delivery mechanisms and financial methods – administrative and fiscal decentralisation to achieve balanced national development and the increase of Local Transfer Grant – used in 1991 (Lee 2012). Hence, funded administrative decentralisation in 1991 has *reinforcing demonstration power* to funded administrative decentralisation in 1992.

Reinforced opposition or subnational interests after fiscal decentralisation in 1992 are not observed. Fiscal decentralisation in 1992 did not increase subnational interests significantly as the portion of Regional Development Tax was less than 1% between 1994 and 1999 in subnational revenues of general account (Lee 2012). Hence, a reinforcing mechanism from fiscal decentralisation in 1992 to political decentralisation in 1995 is not present.

In 1992, Kim YoungSam – a life-long pro-democratisation oppositional politician whose hunger strike in 1983 sparked wider democratisation movements in Korea and drew attention from the foreign press – was elected as the first non-military background President since 1961 (Oh 2014). After becoming President in 1993, his Administration (1993-1998) postponed the popular election of governors and mayors in spite of the 1990 agreement with the opposition party. In the meantime, the Kim YoungSam

Administration prepared a series of administrative, judicial and political measures for fully-fledged subnational governance which limits subnational authority (Kim 2008: 666). The amended Local Autonomy Law of 1994 changed one post of nationally appointed vice-governor into two posts with one appointed by governor and the other appointed by the president. National government may exert Ex Officio Order and administrative execution on behalf of subnational government when governors and mayors neglected affairs delegated to their agency (K2). Governors and mayors had the right to file a suit and suspend the execution of the subnational council's decision when the decision violated laws and decrees. Governors and mayors were limited to three consecutive terms (Oh 2014).

After political decentralisation in 1991, opposition politicians continuously requested further political decentralisation. In 1995, President Kim YoungSam had to introduce direct elections of governors and mayors as he was a life-long pro-democracy politician (Choi and Wright, 2004; Park, 2008). In the election of governors in 1995, the opposition parties – MinJuDang (4), Chaminren (4), and independent (2) – won over the ruling party (MinJaDang) who gained only five provinces (Nam and Lee 2007). Since 1995, subnational elections in Korea were used for an interim-evaluation of the ruling party.

In addition, the subnational election results in 1995 demonstrate the entrenched impact of the Korea's territorialised party politics on subnational politics (Park 2008). The electoral victory of the ruling party was based on the southeast region whilst that of the opposition parties was located in the southwest region and the central region. Overall, although national ruling interests were prevailing in the National Assembly, opposition actors coalesced with grassroots democratisation movements to push political decentralisation with the same rationale used in political decentralisation of 1991. Political decentralisation in 1991 has reinforcing demonstration power to political decentralisation in 1995.

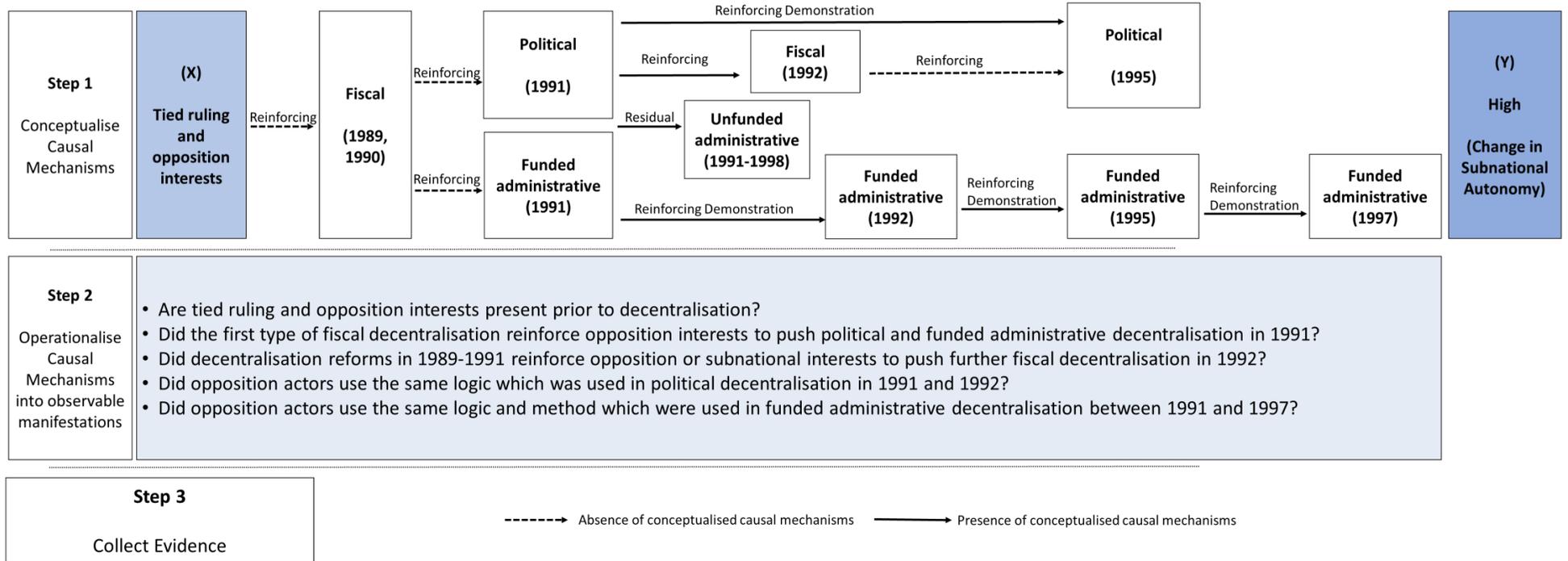
After joining the Uruguay Round in 1993, the Korean government established *the Special Measures for the Rural Community Development* in 1995 to compensate negative effects on agricultural and fishery industries (Lee 2012; the National Assembly Minute 1994-1995). According to this plan, national government transferred administrative authority and responsibility about community development to subnational government in 1995. In

addition, the Local Transfer Grant was increased to finance the transferred administrative authority and responsibility. Hence, the direct cause of funded administrative decentralisation in 1995 was trade liberalisation and its domestic response. In addition, funded administrative decentralisation in 1992 has *reinforcing demonstration power* to funded administrative decentralisation in 1995 as national actors used the same delivery approach and ideas – the idea of balanced national development and the increase of the Local Transfer Grant – to transfer administrative authority and responsibility for community development.

In 1997, national government transferred administrative authority and responsibility for water pollution prevention and environment protection to subnational government according to the Plan for Water Pollution Prevention (Ku 1999). In addition, the Local Transfer Grant was increased to finance the transferred administrative authority and responsibility. Hence, the direct cause of funded administrative decentralisation in 1997 was the Plan for Water Pollution Prevention in 1996. In addition, funded administrative decentralisation in 1995 has *reinforcing demonstration power* to funded administrative decentralisation in 1997 as national actors reused the same logic and financial method – the idea of balanced national development and the increase of the Local Transfer Grant – to transfer administrative authority and responsibility for community development.

Figure 8.1 Theory-Testing Process-Tracing: Korea's First Wave of Decentralisation (1989-1997)

Theoretical Level



Empirical Level

The Compulsory Education Stream

As the first type of decentralisation in compulsory education, national government legislated that subnational government transfers 30% of Tobacco Consumption Tax – which is transferred from national government to subnational government after the Korea-US Trade Agreement in 1988 – to subnational education governance (Song 1994). In 1990, national government introduced the Special Account for the Education Facility Improvement in order to appease teachers after the NTA event (Song 1994; Lee 2002). In sum, exogenous factors – the NTA affair and trade liberalisation – rather than tied ruling and opposition interests promoted fiscal decentralisation in 1989 and 1990.

Political decentralisation in 1991 was not reinforced by increased opposition interests after fiscal decentralisation in 1989 and 1990. After fiscal decentralisation in 1989 and 1990, opposition interests in the National Assembly decreased as the ruling party regained a majority in 1990. A reinforcing mechanism from fiscal decentralisation in 1989 and 1990 to increase opposition interests is not present. Instead, the KMOE and the education sector prepared political decentralisation in subnational education governance as political decentralisation was discussed between ruling and opposition parties in later 1980s. Hence, the causal force to promote political decentralisation in 1991 was not a reinforcing mechanism from fiscal decentralisation in 1989 and 1990 *but a diffusion mechanism* from subnational government to subnational education governance.

As the Cold War started to end in the later 1980s, national government had less legitimacy to sustain Defence Taxes but sought to maintain the total revenues of national tax. Considering less public resistance around education investment, national government decided to introduce the Local Education Transfer Grant as a new intergovernmental fiscal transfer system (K8; K10; Song 1994). After the Defence Taxes were abolished in 1990, most of the tax bases of Defence Taxes were shifted to the Education Taxes and transferred to subnational education governance as the Local Education Transfer Grant. Hence, a reinforcing mechanism from fiscal decentralisation in 1989 and 1990 to fiscal decentralisation in 1991 is not present. Instead, an external factor – the end of the Cold War – made ruling national actors promote fiscal decentralisation in 1991.

In 1992 and 1994, the Roh TaeWoo Administration (1988-1993) and the Kim YoungSam Administration (1993-1998) expanded compulsory education from primary to junior high

education in rural counties. This administrative decentralisation in 1992 was not a residual reform but was promoted by the Roh TaeWoo Administration to gain more political support and legitimacy. Relevant fiscal resources were provided by the Local Education Grant and the Local Education Transfer Grant. Hence, an external factor – gaining political legitimacy and public supports – had strong causal force to administrative decentralisation in 1992 and 1994 (K8; K10). However, a reinforcing demonstration effect was present from administrative decentralisation in 1992 to administrative decentralisation in 1994 (K7).

In 1993, national government transferred fiscal resources to subnational education governance. National government transferred fiscal resources to subnational education governance by vertical transfers. This demonstrates a *compensation mechanism* is present from administrative decentralisation in 1992 to fiscal decentralisation in 1993. In addition, a *reinforcing demonstration mechanism* from fiscal decentralisation in 1991 was present as national government used the same rationale and delivery approach – the idea of expanding education investment and the increase of the Education Tax – which were used in fiscal decentralisation in 1991.

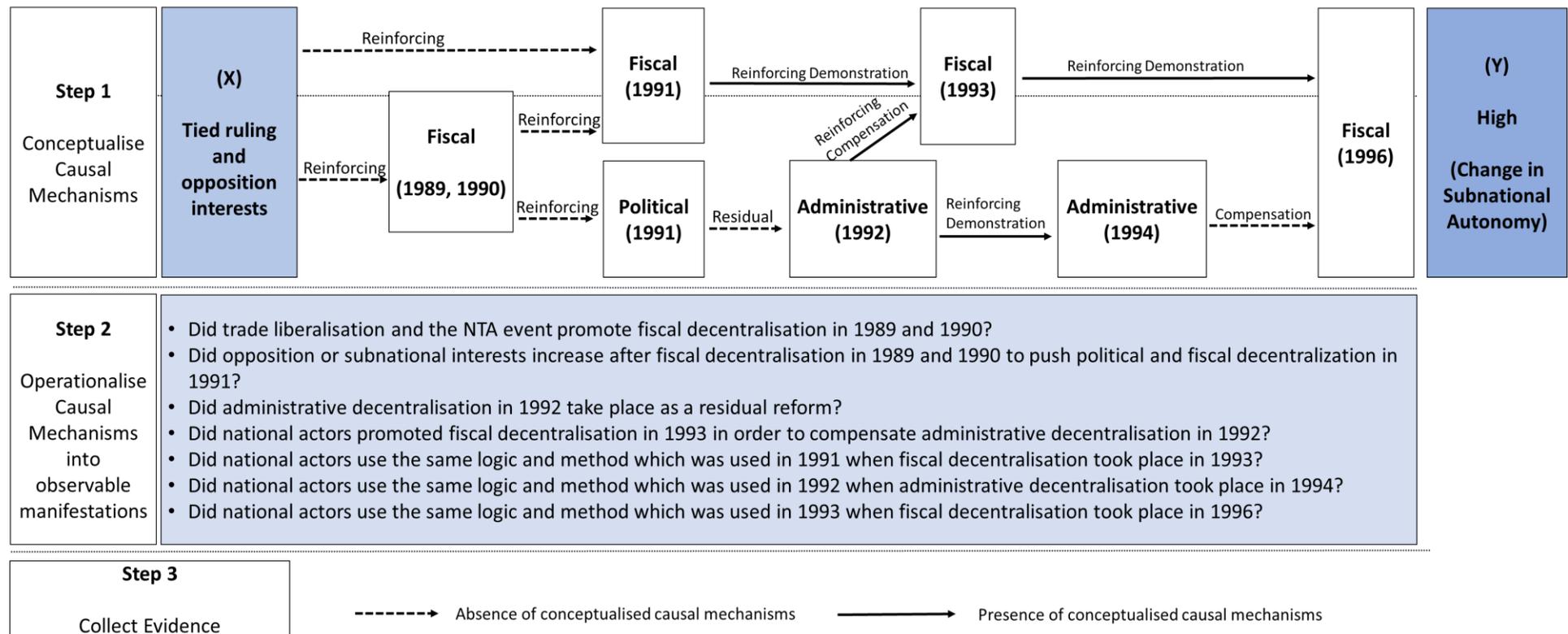
In addition, national government legislated for subnational government to transfer fiscal resources to subnational education government. However, this horizontal fiscal transfer from subnational government to subnational education governance in 1992 did not aim at compensating administrative decentralisation. Instead, national government aimed to compensate subnational fiscal deficiency derived from the National Tax reform in 1993: national government transferred fiscal resources to subnational government – from the increase of Tobacco Consumption Tax – and required subnational government to transfer fiscal resources to subnational education governance (Lee 2002). This demonstrates that national government controlled the use of the Tobacco Consumption Tax even after it was transferred to subnational government in 1989 and political decentralisation was implemented in 1991. Consequently, a *reinforcing demonstration mechanism* from fiscal decentralisation of 1989 was present as national government re-used the same logic and method – the idea of expanding education investment and the increase of horizontal fiscal transfers – which were used in fiscal decentralisation in 1989.

In 1995, the Kim YoungSam Administration announced *the Education Reform Plan of the Civilian Administration (the 5.31 Education Plan)* and increased compulsory education investment (Ahn and Ha, 2015). The 5.31 Education Plan aimed to improve education service provision by establishing decentralised and individualised education system (Ahn and Ha, 2015). National government promoted the 5.31 Education Plan to political legitimacy and public support. The relevant fiscal resources were financed by vertical and horizontal fiscal transfers to subnational education governance in 1996. On the one hand, national government expanded vertical transfers by increasing the Education Tax. On the other hand, national government increased the Residential Tax – a sort of subnational tax – and legislated for subnational government to transfer fiscal resources – 2.6% of intermediate taxes – to subnational education governance (Lee 2012). This demonstrates national government used the intergovernmental fiscal systems not only for transferring fiscal resources to subnational government but also for intergovernmental fiscal equalisation (i.e., fiscal transfers from well-off and deprived subnational education governance) (K10).

Overall, what promoted fiscal decentralisation in 1996 was not *a compensation mechanism* from administrative decentralisation in 1994 but the 5.31 Education Plan. However, a *reinforcing demonstration mechanism* from fiscal decentralisation in 1993 is present as national government re-used the same logic and method – the idea of expanding education investment and the increase of horizontal fiscal transfers – which were used in fiscal decentralisation in 1993.

Figure 8.2 Theory-Testing Process-Tracing: Korea's First Wave of Compulsory Education (1989-1997)

Theoretical Level



Empirical Level

Conclusion: Theory-Testing Process-Tracing

Not all conceptualised causal mechanisms are observed in Korea's first wave of decentralisation. In the decentralisation stream, six out of ten conceptualised causal mechanisms in Step 1 are present. Although tied ruling and opposition interests were present, the first type of fiscal decentralisation in 1989 and 1990 was not reinforced by tied ruling and opposition interests. Instead, external factors – trade liberalisation and regulation on real estate speculation – caused fiscal decentralisation in 1989 and 1990.

The first type of fiscal decentralisation in 1989 and 1990 did not reinforce opposition interests which would promote political decentralisation. Instead, widespread grassroots demands for democratisation coalesced with opposition interests to promote political decentralisation in 1991. In the same vein, the agreement to implement political decentralisation instead of reinforced opposition or subnational interests promoted funded administrative decentralisation in 1991.

After direct elections of subnational councillors were introduced in 1991, national government attempted to transfer administrative authorities and responsibilities to subnational government as a residual reform. Increased opposition or subnational interests were not observed after decentralisation reforms during 1989-1991. In 1992, fiscal decentralisation was promoted by national actors who tried to develop subnational taxes in line with the start of subnational self-governance in 1991. Hence, political decentralisation in 1991 has reinforcing causal power to fiscal decentralisation in 1992.

In addition, national government transferred administrative authorities and responsibilities for regional development to subnational government between 1992 and 1997. Alongside transferred programmes, national government increased the Local Transfer Grant. Thus, reinforcing demonstration mechanisms are found from funded administrative decentralisation in 1991 to funded administrative decentralisation between 1992 and 1997.

Finally, ruling and opposition actors agreed to introduce direct elections of governors and mayors in 1995. As opposition actors used the same logic of the ideas of democratisation, a reinforcing demonstration mechanism is found from political decentralisation in 1991 to

that in 1995. However, fiscal decentralisation in 1992 did not increase opposition or subnational interests which would promote political decentralisation in 1995.

In the compulsory education stream, four out of ten conceptualised causal mechanisms in Step 1 are present. External contexts – trade liberalisation and the NTA event – rather than tied ruling and opposition interests promoted fiscal decentralisation in 1989 and 1990. Moreover, fiscal decentralisation in 1989 and 1990 did not reinforce subnational interests which would promote political decentralisation in 1991. Instead, the democratisation processes of general administration had diffusion effects to political decentralisation of subnational governance in 1991. Moreover, opposition and subnational interests were not reinforced after fiscal decentralisation in 1989 and 1990. What caused fiscal decentralisation in 1991 was the external factor of the end of the Cold War.

In 1992 and 1994, national government expanded compulsory education in rural counties as attempts to recover political legitimacy and public support. As subnational government in rural areas had less fiscal capacity, national government transferred fiscal resources to subnational government by increasing Education Taxes in 1992 and 1994. Then, national government established the 5.31 Education Plan in 1995, aiming for liberalised and decentralised education governance. In 1996, national government increased vertical and horizontal fiscal transfers to subnational education governance in order to implement the 5.31 Education Plan. Hence, a compensation mechanism from administrative decentralisation in 1994 to fiscal decentralisation in 1996 is not observed. Instead, a reinforcing demonstration mechanism is observed from fiscal decentralisation in 1993 to fiscal decentralisation in 1996.

REFLECTION ON THEORY-TESTING PROCESS-TRACING

As can be seen in Table 6.4 (Chapter 6), subnational autonomy in Korea did not significantly increase after decentralisation in spite of having tied ruling and opposition interests prior to decentralisation and unfolding decentralisation in a sequence of *Fiscal – Political – Administration Decentralisation*. The reasons why Falleti's theory lacked explanatory power of decentralisation and subnational autonomy in Korea's first wave of decentralisation can be discussed in terms of interests, institutions, ideas, and external factors.

First, during the first wave of decentralisation, there were no subnational actors and interests due to the lack of subnational self-governance. Although advocating subnational interests concerning political decentralisation, opposition actors were interested in establishing political bases in subnational government rather than increasing subnational autonomy (K33). Hence, opposition actors focused mainly on political decentralisation during the first wave of decentralisation in Korea.

Second, the Developmental State in contemporary Korean politics left two legacies of *territorialised partisan interests and well-developed national bureaucratic governmentality*. As Park (2008) argues, long-standing centrally planned developmental strategies during the Authoritarian Administration (1961-1979) brought about interregional economic disparity and *territorialised party politics*. The presence of *territorialised partisan interests* in Korea questions Falleti's theoretical framework based on the dichotomy of territorial interests (i.e., national vs. subnational) and partisan interests (ruling vs opposition), because subnational interests independent from (specific) partisan interests were rare in Korea. Up to the end of the first wave of decentralisation in 1998, only territorialised partisan interests (i.e., a coalition between national ruling and the southeast vs. a coalition between national opposition and the southwest) were present.

As another institutional factor, Korea has a well-developed national bureaucratic governmentality and hierarchical intergovernmental relations. Under the strong presidential system, national executives and ruling politicians were more powerful than subnational government and the National Assembly (K2). In addition, in many cases, national line ministries had substantial discretion on detailed implementation plans after

the National Assembly outlined the direction of administrative and fiscal decentralisation reforms. When funded administrative decentralisation was implemented during 1991-1997, national government had extensive discretion over deciding detailed programmes and allocation of fiscal resources to subnational government (K6; Lee 2012).

Third, the role of ideas should not be undermined in decentralisation analyses. In Korea, *decentralisation* (Campbell 2004) was regarded as consisting of policy paradigms: *deepening democracy, balanced national development, as well as globalisation and localism*. The policy paradigm of democratisation was the main promoter of political decentralisation reforms. The policy paradigm of balanced national development was promoted to transfer administrative authority and responsibility to regional development and to introduce the Local Transfer Grant. The policy paradigm of globalisation is closely linked to fiscal decentralisation and the 5.31 Education Reform. In this vein, Falleti's (2010) assumption that the actors' positions – partisan and territorial memberships – are the only factor to shape the actor's preference about decentralisation should be revised. As Beland (2009: 149) argues, 'the logic-of-position' should be supplemented by 'the logic-of-interpretation'.

Fourth, external factors such as trade liberalisation, grassroots democratisation movements, and solid economic growth contributed to open *policy windows* to discuss decentralisation reforms. Trade liberalisation in the later 1980s opened a policy window to implement fiscal decentralisation in 1989 and grassroots democratisation movements culminated in the Constitutional Reform in 1987 including political decentralisation. Moreover, the strong economic growth in the later 1980s provided a favourable context to fiscal decentralisation in 1991. The 1993 Uruguay Round agreement and the 1996 Plan for Water Pollution Prevention directly caused the 1995 and 1997 (funded) administrative decentralisation reforms.

In conclusion, Falleti's theory failed to explain causal pathways from tied ruling interests to medium level of change of intergovernmental balance of power in Korea because of giving little attention to ideas, institutions, and external factors. Thus, considering the drawbacks of Falleti's theory, the next section attempts to trace causal pathways to medium change of intergovernmental balance of power during the first wave of decentralisation.

EXPLAINING-OUTCOMES PROCESS-TRACING

As Falleti's (2010) theory failed to explain causal pathways, explaining-outcomes process-tracing in order to expound *what (causes) and how (casual mechanisms)* the first wave of decentralisation in Korea resulted in a medium change of subnational autonomy (Beach and Pedersen 2013).

Step 1: Collecting data

First, extensive data was collected by semi-structured interviews with key actors and literatures including financial statistics, election data, journal papers, policy papers, monographs, White Papers, minutes, related laws and decrees in English and Korean. The collected data includes materials on interests, ideas, institutional factors, and exogenous factors (see Table 8.3).

Table 8.3 Interests, Ideas, Institutions, and External Contexts; Korea's First Wave

Interests	<ul style="list-style-type: none"> • Dominant ruling interests, tied ruling and opposition interests in 1988 and 1989 • growing opposition interests • Territorialised partisan interests • Absence of subnational actors and interests
Ideas	<ul style="list-style-type: none"> • The policy paradigm of deepening democracy • The policy paradigm of balanced national development • The policy paradigm of neoliberalism: globalisation and localisation • Political impartiality of education
Institutions	<ul style="list-style-type: none"> • Well-developed national and subnational bureaucratic governmentality • Fragmented bureaucratic governmentality in subnational government and subnational education governance • Presidential system with a unicameral legislative body • Hierarchical internal structure of political parties
Domestic and international contexts	<ul style="list-style-type: none"> • Grassroots democratisation movements • Trade policy liberalisation: the Korea-US Trade Agreement in 1988, the Uruguay Round in 1993 • The end of Cold War • Economic growth

In terms of interests, the ruling party had dominant interests during the first wave of decentralisation although opposition interests were growing with grassroots democratisation movements (K2; K17). Except for two years in 1988 and 1989, the ruling

actors had dominant power in the National Assembly. In addition, subnational actors and interests were absent prior to the first wave of decentralisation.

Whilst subnational interests were absent or weak due to the long dormancy of subnational politics, interests of education actors were relatively well-organised. During the nation-building period of 1945, education actors successfully transplanted the US-style education district system to Korea by using *well-organised education interests*, centred on the Korean Federation of Teachers Association (KFTA), and the idea of *political impartiality of education* (Ahn 1998; K8). Since then, education actors developed the independence of subnational education governance by utilising the ideological frame of political impartiality of education and the robust organisational capacity of the KFTA. Even when the authoritarian regime (1961-1979) ceased subnational governance in 1961, subnational education governance continued and became more independent from subnational governance when '*the independence and political impartiality of education*' was stipulated in the 1963 Korean Constitution.

In terms of ideas, *the policy paradigm of democratisation* which bridged opposition interests and grassroots democratisation movements had causal force to promote political decentralisation reforms in 1991 and 1995 (K6; K33). As political decentralisation was regarded as a synonym of democratisation in the 1980s, opposition actors advocated political decentralisation as a measure to foster democratisation. Furthermore, even ruling actors were not able to explicitly oppose political decentralisation (K33). *The policy paradigm of neoliberalism* – closely linked to administrative and fiscal decentralisation – spread widely during the Kim YoungSam Administration in line with joining the Uruguay Round and OECD (K6). Ruling and opposition actors understood decentralisation as a means to achieve *balanced national development*.

In education policy, *the independence and political impartiality of education* was stipulated in the Korean Constitution since 1963 (K6; Song 1994). The education sector used the idea of political impartiality of education to build and sustain politically and administratively independent subnational education governance from subnational government.

Institutionally, the Korean political system has an executive dominant presidential system with a unicameral legislative body. National and subnational government had well-

developed bureaucratic governmentality as a developmental state legacy (K2). Korea has two-tier subnational governance with intermediate government (Provinces and Metropolitan Cities) and local government (Shi, Gun, Gu). Subnational government in Korea has a fragmented executive system within intermediate government: governors for general administration and Educational governors for pre-school, primary, and secondary education.

In addition, as the rules of game, subnational election rules in Korea reinforced the power of national politicians over subnational politicians. As the party affiliation of a candidate is the most important factor to win a subnational election, Korea developed a strict party nomination system – each party nominates one candidate in every electoral constituency – in subnational elections (K33). In addition, subnational elections are used for an interim-evaluation of the ruling party as elections of governors, mayors, and subnational councillors take place on one day, nationwide, every four years (K21). As a result, subnational election rules, alongside with territorialised party politics, have precluded the growth of subnational interests in Korea.

Domestic and international contexts have reinforcing causal power to decentralisation in Korea. As a domestic context, grassroots democratisation movements led the Constitutional Reform including political decentralisation in 1987 (K6). As an international context, trade liberalisation and the end of the Cold War brought about domestic policy changes concerning administrative and fiscal decentralisation. Because of the liberalisation of trade, the Korean government had to simplify the tobacco tax system in 1989 and compensate negative effects on agricultural and fishery industries in 1995 (Lee 2012). The collapse of the Soviet Union resulted in the abolition of defence taxes and contributed to introduce the Local Education Grant Tax in 1991 (Song 1994; K8). The solid growth of the economy up to the 1997 Asian Financial Crisis provided a favourable context to fiscal decentralisation.

Second, explaining-outcomes process-tracing with deductive and inductive inferences was applied to the first wave decentralisation in Korea. As systematic causal factors, several theories discussed in Chapter 7 were considered. As case-specific causal factors, domestic and international contexts, as well as trade liberalisation and democratisation, were considered.

Third, causal forces from the material and the ideational are equally considered. Falletti (2010) understands territorial and partisan interests as the necessary and sufficient condition to shape actors' preferences toward decentralisation. However, the author argues that the actors' preferences about decentralisation are shaped by not only the actors' partisan and territorial positions, but also by the actors' ideas shaped by perceiving and interpreting issues around decentralisation. Hence, the following explaining-outcome process-tracing traces causal pathways to a low degree of change in subnational autonomy by both the structural and institutional explanations and the ideational and psychological explanations (Beach and Pedersen 2013; Beland 2009; Parsons 2007).

Finally, explaining-outcomes process-tracing is implemented in the decentralisation stream and the compulsory education stream as Korea has a fragmented subnational governance in general administration and compulsory education.

Step 2: Deductive and Inductive Inferences

The Decentralisation Stream

Causal pathways are traced from dominant actors, interests, ideas, and subnational capacity to a medium degree of change in subnational autonomy (Figure 8.3). Although the ruling party had a majority in the National Assembly generally during the first wave of decentralisation, opposition interests coalesced with grassroots democratisation movements that had grown substantially in the 1980s (K2; K6). After gaining a majority of seats in 1988, opposition parties pushed forward political decentralisation. In addition, ruling actors were not able to explicitly oppose to political decentralisation as political decentralisation was regarded as a synonym of democratisation (K33). National ruling actors had dominant power but opposition actors allied with grassroots public movements had substantial power concerning political decentralisation.

Ruling actors had material incentives not to transfer political authority to subnational government. After the Constitutional Reform in 1987, ruling actors delayed political decentralisation several time (K6). In the meantime, in 1989 national government transferred tobacco related taxes to subnational government as a result of the Korea-US Trade Agreement. As an external factor of trade liberalisation opened a *policy window* to

discuss tax system reforms, opposition parties with majority seats in the National Assembly were able to promote the 1989 fiscal decentralisation. In 1990, national government expanded the Excessive Land Retention Tax – a sort of subnational tax – to Comprehensive Land Tax in order to regulate real estate speculation. In sum, fiscal decentralisation in 1989 and 1990 was promoted by domestic and international contexts – trade liberalisation and regulation of the real estate market – which opened policy windows.

As ruling and opposition interests were tied, conflicts over contents and timings of political decentralisation were severe. In 1984, the ruling and the opposition parties *agreed to establish subnational councils* in some local governments as pilot cases (Oh 2014: 318). If successful, the pilots would be followed by nationwide subnational governance. However, the bills of the Local Autonomy Law and the Local Education Autonomy Law were not amended in the National Assembly (J33). Thus, the 1984 Agreement was not realised in practice although it did contribute to raise public awareness about subnational self-governance.

As the grassroots democratisation movements ignited democratic aspirations, the implementation of the fully-fledged subnational self-governance was dropped from the Presidential Election debates in 1987. All the presidential candidates presented deepening democracy and developing subnational self-governance as presidential election pledges. In spite of these Presidential Election Pledges, the elected Roh TaeWoo Administration attempted to limit subnational self-governance to the establishment of subnational councils. After the opposition parties gained a majority in the National Assembly in 1988, the Local Autonomy Law was amended to include the introduction of three-tier subnational governance with elected subnational executives and legislatives. However, political decentralisation did not take place in 1988 as President Roh TaeWoo exercised the presidential veto over this amended Local Autonomy Law (Choi and Wright, 2004, Kwon, 2003). Here, it is evident that the ruling party had more bargaining power during the first wave of decentralisation.

Finally, the ruling and opposition party agreed to implement a two-tier subnational government (i.e., province/metropolitan cities – city/county/district) with elected executives and legislatives. In 1990, ruling and opposition parties amended the Local

Autonomy Law which included the implementation of elections of subnational councillors, governors, and mayors. In 1991, the direct elections of subnational councillors were held (K2; K6; K33). Overall, ruling and opposition actors led political decentralisation in 1991 as subnational actors were absent. The negotiation processes of political decentralisation in 1991 demonstrate tied ruling and opposition interests concerning political decentralisation.

After a long discussion over political decentralisation, national government prepared administrative and fiscal decentralisation to address political decentralisation. In 1991, the KMOI transferred administrative authority and responsibility about regional development - road maintenance, sewage management, and general waste disposals - and introduced Local Transfer Grant as a new intergovernmental fiscal transfer system (Ku 1999, KMOI 2006). Strong economic growth at that time created a favourable context for introducing the Local Transfer Grant in 1991 (Lee 2012). Up to 2004, national government used the Local Transfer Grant as a pipeline to provide fiscal resources to subnational government corresponding to regional development programmes.

In the same vein, national government established *the Joint Committee for Decentralisation and the Subnational Self-Governance Task Force* (PCPP 2008). The Joint Committee promoted administrative decentralisation between 1991 and 1998 and the Task Force introduced the Regional Development Tax – a new subnational Tax – in 1992. Political decentralisation in 1991 reinforced administrative and fiscal decentralisation between 1991 and 1997. In addition, funded administrative decentralisation in 1991 had reinforcing demonstration mechanisms to funded administrative decentralisation between 1992 and 1997.

After the elections of subnational councillors in 1991, the Roh TaeWoo and the Kim YoungSam Administrations postponed the popular election of governors and mayors scheduled for 1992 (K2; K33). In 1994, President Kim YoungSam had to accept the continuous demands for further political decentralisation from opposition parties and grassroots public. In June 1995, the popular elections of mayors and governors were held (Choi and Wright, 2004; Park, 2008). As opposition actors used the same logic – the idea of democratisation – in order to promote political decentralisation of 1995, a reinforcing

demonstration mechanism is present from political decentralisation in 1991 to political decentralisation in 1995.

The Compulsory Education Stream

From 1989 to 1991, national actors promoted a series of fiscal decentralisation reforms as the first type of decentralisation. In the 1980s, domestic and international contexts – international trade liberalisation, Gorbachev's policies of *glasnost and perestroika*, and the end of the Cold War – provided favourable contexts (K10). The first type of fiscal decentralisation in 1989 was promoted. As a result of the Korea-US Trade Agreement in 1988, national government transferred Tobacco Consumption Tax to subnational government and legislated for subnational government to transfer 30% of the Tobacco Consumption Tax to subnational government (Lee 2012).

Ideologically, the end of Cold War gave room for the Korean society to accommodate left-wing ideas and associations. In the education sector, the National Teacher's Association (the former body of the Korea Teachers and Education Workers Union) was established in 1987 and the NTA event took place in 1990. National government increased education investment by transferring the Special Account for Education Facility Improvement to subnational education governance to address teachers' grievances (K10; Song 1994).

In 1991, national government introduced the Local Education Transfer Grant. In 1990, Defence Taxes were abolished because the end of the Cold War lessened the legitimacy to sustain defence taxes. Considering less public resistance around education investment, national government decided to introduce the Local Education Transfer Grant as a new intergovernmental fiscal transfer system. After the abolition of Defence Taxes in 1990, most of its bases were shifted to Education Taxes and transferred to subnational education governance as the Local Education Transfer Grant (K8). By layering the Local Education Transfer Grant to existing intergovernmental fiscal transfer system, national government was able to maintain the total revenues of national taxes (Song 1994: 262). In sum, domestic and international contexts rather than tied ruling and opposition interests opened policy windows to negotiate fiscal decentralisation between 1989 and 1991.

In 1991, the KMOE and the education actors introduced the indirect elections of Boards of Education and of Educational Governors (K8). In line with the negotiation of political decentralisation in subnational government, the KMOE and the education sector prepared political decentralisation in subnational education governance. The well organised education interests and the idea of political impartiality of education reinforced the vested interests of education actors in subnational education governance. When ruling and opposition actors negotiated political decentralisation in the later 1980s, education actors were able to convert Local Education Offices from an administrative agency of the KMOE to a self-governing body. Overall, political decentralisation of subnational government in 1991 reinforced by the grassroots democratisation movements had a diffusion mechanism to political decentralisation in subnational education governance. In addition, education actors were able to establish subnational education self-governance independent from national and subnational government by using well organised interests and the idea of political impartiality of education.

In 1992 and 1994, national actors expanded compulsory education in rural areas (Ahn and Ha 2015). Falleti assumes administrative decentralisation in 1992 and 1994 as a residual reform which is promoted after fiscal and political decentralisation reforms. However, the 1992 and 1994 administrative decentralisation was not a mere residual decentralisation reform. As the popularity of the ruling party was significantly threatened by grassroots democratisation movements, national government expanded compulsory education in rural counties in order to recover some form of political legitimacy and public support. In sum, administrative decentralisation in 1992 and 1994 was not implemented as a residual reform. Instead, the inductive inference demonstrates that political motivations of the Roh TaeWoo and Kim YoungSam Administration to raise public supports with the expansion of compulsory education in 1992 and 1994 (K10).

In 1993, national and subnational government transferred fiscal resources to subnational education governance. National government transferred fiscal resources to subnational education governance by vertical transfers (Song 1994). In addition, national government required subnational government to transfer fiscal resources to subnational education governance. Therefore, administrative decentralisation in 1992 had a *compensation mechanism* to fiscal decentralisation in 1993. In addition, fiscal decentralisation in 1991

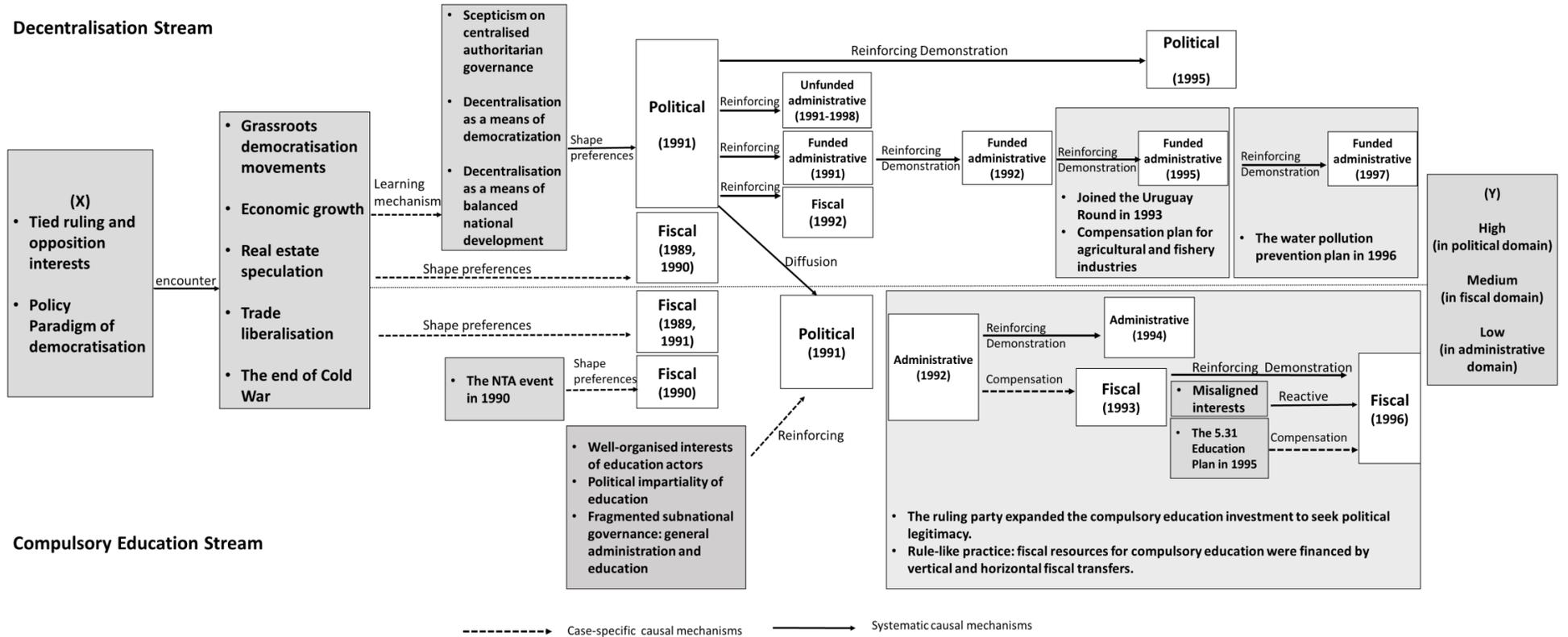
had a *reinforcing demonstration mechanism* to fiscal decentralisation in 1993 as national government re-used the same logic and method.

However, this horizontal fiscal transfer from subnational government to subnational education governance did not aim at compensating administrative decentralisation in 1992. Instead, national government aimed to compensate subnational fiscal deficiency derived from the National Tax reform in 1993: national government transferred fiscal resources to subnational government – the increase of Tobacco Consumption Tax – and required subnational government to transfer fiscal resources to subnational education governance (Lee 2012). This demonstrates national government controlled the use of the Tobacco Consumption Tax even after it was transferred to subnational government in 1989 and the political decentralisation reforms in 1991 (K8; Lee 2012). Hence, a *reinforcing demonstration mechanism* from fiscal decentralisation in 1989 as national government re-used the same logic and method – the idea of expanding education investment and the increase of horizontal fiscal transfers – which were used in fiscal decentralisation in 1989.

In 1995, the Kim YoungSam Administration announced *the Education Reform Plan of the Civilian Administration (the 5.31 Education Plan)* and increased compulsory education investment (Ahn and Ha, 2015). The 5.31 Education Plan aimed to improve education service provision by establishing a decentralised and individualised education system (Ahn and Ha, 2015). National government promoted the 5.31 Education Plan to gain political legitimacy and public support. The relevant fiscal resources were financed by vertical and horizontal fiscal transfers to subnational education governance in 1996. On the one hand, national government expanded vertical transfers by increasing the Education Tax. On the other hand, national government increased the Residential Tax – a type of subnational taxes – and legalised subnational government's fiscal transfers (2.6% of intermediate taxes) to subnational education governance. This demonstrates that national government used the intergovernmental fiscal systems not only for transferring fiscal resources to subnational government but also for intergovernmental fiscal equalisation (i.e., fiscal transfers from well-off and deprived subnational education governance) (k8; K10).

Overall, what promoted fiscal decentralisation in 1996 was the 5.31 Education Plan. In addition, a *reinforcing demonstration mechanism* from fiscal decentralisation in 1993 is present as national government rationalised it by using the similar idea of expanding education investment and the delivery approach of increasing horizontal fiscal transfers.

Figure 8.3 Explaining-Outcomes Process-Tracing: Korea's First Wave of Decentralisation (1989-1997)



Conclusion: Explaining-Outcomes Process-Tracing

This section undertakes explaining-outcomes process-tracing about Korea's first wave of decentralisation in two streams of the decentralisation stream and the compulsory education stream. The results of explaining-outcomes process-tracing demonstrates not only actors' interests but also actors' ideas shape their preferences toward decentralisation.

Prior to the first wave of decentralisation, ruling actors was a majority in the National Assembly. Yet, opposition actors were able to push political decentralisation as grassroots democratisation movements supported them. Moreover, between 1988 and 1989, when opposition parties became a majority in the National Assembly, Korea's first wave of decentralisation was more susceptible to domestic and international events rather than power relations of actors.

Ideologically, the idea of democratisation awakened opposition politicians and grassroots public to the negative consequences – interregional economic disparity and undemocratic decision-making processes– resulted from centralised authoritarian governance.

Opposition actors supported political decentralisation as a means to achieve their ideological goal to enhance democratisation. At the same time, opposition actors had clear material interests to promote political decentralisation in order to build their own political bases in subnational government to sweep the authoritarian regimes. Based on the idea of democratisation and material interests to build subnational political supports, opposition actors in Korea promoted political decentralisation in 1991 and 1995. In addition, *domestic and international contexts* opened policy windows to discuss decentralisation. Domestically, grassroots democratisation movement continuously facilitated the ruling-opposition discussion about the timing and contents of political decentralisation. International contexts - trade liberalisation and the end of the Cold War - contributed to open a policy window to discuss fiscal decentralisation.

The decentralisation reforms of 1989-1991 were started when opposition parties had a majority in the National Assembly. In addition, the Korea-US Trade Agreement opened a policy window in 1988. Therefore, opposition actors were able to lead the negotiations over fiscal decentralisation to a result that favours subnational government. Political decentralisation of 1991 was also decided after a long negotiation over political

decentralisation from 1984 to 1990. Thus, under tied ruling and opposition interests, domestic and international changes in the late 1980s opened policy windows to discuss Korea's first wave of decentralisation.

After political decentralisation was decided, national actors had to consider administrative and fiscal decentralisation in order to prepare an era of subnational self-governance. The Joint Committee for Decentralisation and the Subnational Self-Governance Task Force designed and implemented administrative and political decentralisation. However, both Ad-hoc organisations were occupied by national actors such as central bureaucrats. Between 1991 and 1997, ruling actors, being a majority in the National Assembly, led administrative and fiscal decentralisation under the slogan of balanced national development. However, because of strong opposition from national line ministries, administrative and fiscal decentralisation little increased subnational autonomy.

In 1991, national actors introduced Local Transfer Grant as fiscal resources to promote regional development programmes (road maintenance and water supply and sewage). After political decentralisation, ruling actors had material interests to introduce Local Transfer Grant to control subnational politicians with fiscal resources for regional development. Moreover, public discontents about uneven regional development were one of the core factors to gather grassroots power to democratisation movements. Thus, ruling actors' material interests promoted fiscal decentralisation reforms up to 1997.

Lastly, opposition actors continuously requested the direct elections of governors and mayors. In addition, President Kim YoungSam – as a life-long pro-democratisation politician – shared the idea of democratisation. Thus, national actors agreed to political decentralisation in 1995.

The compulsory education stream demonstrates that ruling actors and the education actors had dominant power to determine the direction of decentralisation. The NTA event opened a policy window to discuss fiscal decentralisation to subnational education governance. In line with political decentralisation of 1991 in subnational government, education actors introduced the indirect elections of Boards of Education and Educational governors.

In 1990, as the end of the Cold War lessened political legitimacy to sustain Defence Taxes, Ruling actors transferred most of the abolished Defence Taxes to Education Taxes. With the increase of Education Taxes, national government introduced the Local Education Transfer Grant. The international context opened a policy window to fiscal decentralisation in 1991. After democratisation, ruling actors expanded education investment to gain public support.

As a whole, domestic and international events opened policy windows to discuss decentralisation to subnational education governance. As education actors had legal and organisational capacity and the idea of political impartiality of education, they were able to maintain and even develop separate subnational education governance from subnational government.

Returning to the questions cast in Chapter 1, “what shapes the *direction* of institutional changes?” and “What determines *types* of decentralisation?”

First, the *direction* of institutional changes – giving advantages to national or subnational government – is determined by who has power to reach and affect decentralisation. During Korea’s first wave of decentralisation, although ruling actors had a majority in the National Assembly, opposition actors supported by grassroots democratisation movements had substantial power over political decentralisation. These tied interests are observed throughout negotiations and bargaining between ruling and opposition parties from 1984 and 1990. When opposition parties had a majority in the National Assembly in 1988 and 1989, ruling actors used the presidential veto in order to limit the contents of political decentralisation to the popular election of subnational councillors. Thus, tied ruling and opposition interests provided both ruling and opposition actors power to determine the direction of institutional changes.

Second, the types of decentralisation – administrative, fiscal, and political decentralisation – are shaped by the degree of alignment between material interests and ideas. During Korea’s first wave of decentralisation, domestic and international events opened policy windows to discuss decentralisation. Whenever policy windows opened, ruling and opposition actors with tied interests negotiated and bargained decentralisation reform.

Opposition actors had strong preferences toward political decentralisation because their material interests to establish political bases in subnational government and the idea of democratisation were aligned. This position of opposition actors was supported by grassroots democratisation movements resulted from shared scepticism of centralised authoritarian governance.

Under tied ruling and opposition interests and these ideological backdrops, opposition actors were able to push decentralisation based on grassroots democratisation movement. Opposition actors had dominant power in the National Assembly when political decentralisation of 1991 discussed. In addition, in 1995, President Kim YoungSam, as a life-long pro-democratisation politician, hardly delayed political decentralisation. Hence, the alignment between material interest and ideas was the main force to promote political decentralisation reforms in 1991 and 1995.

Yet, concerning administrative and fiscal issues, national government had more power to shape types and contents of reforms as the processes were controlled by central bureaucrats. After a long authoritarian regime, the power of national bureaucrats was greater than that of the National Assembly. During Korea's first wave of decentralisation, national bureaucrats transferred administrative responsibility with fiscal resources rather than transfer regulatory authorities which resulted in a low degree of change in administrative authorities.

On the contrary, in subnational education governance, after democratisation, ruling actors expanded education investment in order to gain political legitimacy and public support. The capacity of subnational education governance – the presence of Local Education Offices as bureaucratic apparatus, the organisational power of KFTA, and the idea of political impartiality of education – provided a favourable context of transferring political, fiscal authorities to subnational education governance compared to the area of general administration.

In conclusion, during Korea's first wave of decentralisation, the direction of institutional changes was shaped by ruling and opposition actors. Domestic and international events facilitated the first wave of decentralisation by opening policy windows. The types of decentralisation were determined by the alignment between material interests and prevailing ideas. As opposition actors interests and ideas were aligned, political

decentralisation was implemented in 1991 and 1995. As there were public demands for political decentralisation resulted from scepticism of centralised authoritarian governance and the unbalanced national development, ruling actors transferred fiscal resources for promote regional development rather than regulatory authority. As the power of central line ministries was stronger than the National Assembly, national bureaucrats were able to maintain their administrative authority during Korea's first wave of decentralisation. Thus, as can be seen in Table 6.6, during Korea' first wave of decentralisation, subnational capacity increased in political, fiscal, and organisational domains but did not change in administrative capacity of compulsory education and long-term care.

Chapter 9 Japan and Korea: The Second Wave of Decentralisation

INTRODUCTION

After Japan's first wave of decentralisation, started to reduce government debts (Chapter 7), subnational actors became partners to negotiate decentralisation reforms by gaining a legal right to present decentralisation agendas to national government. In Korea, opposition actors with grassroots democratisation movements promoted political decentralisation in the late 1980s to established democratic governance (Chapter 8). In 1999, the Kim DaeJung Administration legalised subnational associations with a legal right to present decentralisation agendas to national government. Regardless the driving forces of decentralisation, subnational actors in both Japan and Korea grew substantial organisational capacity after the first wave of decentralisation.

Japan and Korea promoted the second wave of decentralisation under these changed circumstances. During the second wave of decentralisation, Japan developed more decentralised governance in compulsory education and long-term care services. In contrast, Korea developed more decentralised governance in compulsory education and more centralised governance in long-term care services. As decentralisation is a continuous process, the first wave of decentralisation changed the distribution of power amongst actors and it constitutes the second wave of decentralisation (Falletti 2010). For instance, the first wave of decentralisation provided actors opportunities to develop *individual and collective capacity*, and perceive the advantages and disadvantages of decentralisation agendas based on their material positions and ideological orientations. As both Japan and Korea had to expand their Welfare State in order to catch social and demographic changes with population ageing, politicians had motivations to expand social programmes to raise fertility rates and to socialise elderly care services.

This chapter examines the causal pathways to diverged outcomes of the second wave of decentralisation across countries and sectors. First, Japan's second wave of decentralisation is examined in terms of interests, ideas, and contexts. Second, Korea's second wave of decentralisation is scrutinised in the same perspectives.

JAPAN'S SECOND WAVE (1997-2006): DECENTRALISATION AND THE WELFARE STATE

Context Prior to Japan's Second Wave of Decentralisation

After the first wave of decentralisation reforms (1982-1991), demands for further decentralisation continued in Japan. A series of events demonstrates that interests, ideas, and preferences of actors changed dramatically and culminated in Resolutions of the House of Representatives and the House of Councillors in June 1993. Given that the LDP had a majority of seats in both Houses in June 1993, reforms in the Second Wave of decentralisation appear to be supported by both the ruling and the opposition parties. At that time, decentralisation was regarded amongst national actors as a part of the grand administrative reform leading to *good governance* (Nakano 2010).

Hence, it was difficult to oppose to decentralisation at least outwardly in the 1990s, even though there was some reluctance toward decentralisation (J3). An interviewee from a subnational self-governance research centre pointed out that national politicians barely resisted decentralisation reforms due to several corruption scandals related to national politicians and central bureaucracies in the 1990s (J17). Subnational associations became more potent rivals of national government after the six subnational associations won the right to submit their ideas and opinions to national government in June 1993 (Ikawa 2008).

After Japan's first wave of decentralisation, the first regime change in 38 years took place within the non-LDP Administration. As non-LDP Prime Ministers, Hosokawa (August 1993–April 1994) and Murayama (June 1994–January 1996), long pursuers of decentralisation as opposition politicians in JSP, laid cornerstones for the second wave of decentralisation (Nakano 2010; J17). After the 1993 General Election, seven non-LDP parties agreed to promote decentralisation and to take legislative actions (Nakano 2010). Following this agreement, the third Gyokakushin (1990-1993) was established and submitted the final report to the Cabinet in 1993. The Final Report contains the transfer of authority, the rationalisation of agency delegation, and the recommendation about municipal mergers and prefectural associations. Prime Minister Hosokawa was the former leader of subnational government committee in the third Gyokakushin (Nakano 2010).

In addition, prior to his election as Prime Minister in 1994, Murayama, as a leader of the second largest party, maximised his bargaining power vis-à-vis LDP who lost the majority of seats in both Houses. When the Murayama Administration was established, LDP had little option but to accept *the Decentralisation Framework* drafted by JSP and the *Sakigake* in order to participate in the coalition administration. The framework contains 'the establishment of a third-party organisation to supervise the implementation of decentralisation reforms, the abolition of agency delegation, and the replacement of earmarked subsidy to non-earmarked subsidy' (Nakano 2010: 81-82). The eight-party agreement in the Hosokawa Administration and the Decentralisation Framework by the JSP, the *Sakigake*, and the LDP contributed to elicit Congressional compliance whenever obstacles arose during the second wave of decentralisation reforms.

According to this Decentralisation Framework agreed in 1994, the Decentralisation Promotion Law was enacted and the Decentralisation Promotion Committee was established as a third party organisation in 1995. The Decentralisation Promotion Committee issued an Interim Report in March 1996 and four recommendations were submitted to Prime Ministers from 1996 to 1997 (Ikawa 2008; Nakano 2010). As all political parties agreed to promote decentralisation in 1993-1994, even Prime Ministers from the LDP, the traditional conservative party, such as Hashimoto (January 1996–July 1998) and Obuchi (July 1998–April 2000) did little to reverse this trend of decentralisation (Nakano 2010; J3).

In conclusion, a series of political events after the first wave of decentralisation reflects political turmoil which started from the regime change from the LDP to the non-LDP Administration and provided momentum to initiate the second wave of decentralisation. For the LDP, decentralisation was regarded as a part of the grand administrative reform to streamline inefficient centralised governance. Non-LDP parties understood decentralisation as the processes to *good governance* by transferring decision-making power to subnational government and citizens. In addition, national and subnational politicians became aware of the advantages and drawbacks of decentralisation through the experience of the first wave of decentralisation.

The Sequence of Japan's Second Wave Decentralisation

During Japan's second wave, decentralisation and welfare expansion took place at the same time. Under the slogan of *the decentralised world-leading country*, the second wave of decentralisation took place in the sequence of 'fiscal – administrative/political – administrative/fiscal' decentralisation (Table 9.1).

As the first type of decentralisation, national government implemented **fiscal decentralisation** by introducing the Subnational Consumption Tax and increasing the Local Allocation Tax in 1997. In 2000, national and subnational government agreed to abolish the hierarchical command-and-control system including the agency-delegation system and administrative controls from national government. In the same vein, the upper government's consent system was abolished when mayors and governors appointed Superintendents of Education. Hence, as the second type of decentralisation, **administrative and political decentralisation** took place.

As the Final Report of the Decentralisation Committee in 2001 proposed fiscal decentralisation as the next reform agenda, the Economy and Fiscal Advisory Committee started to review the reassignment of intergovernmental authority and responsibility. As the third type of decentralisation, **the transfer of administrative responsibility and fiscal authority** was implemented during 2003-2006.

It is worth noting that the second wave of decentralisation was started by non-LDP administrations (1993-1994) and subnational government, and implemented by the LDP Administration's (1996-2006). Therefore, Japan's second wave of decentralisation provides an interesting insight into the power of agency to challenge pre-determined structures by exploiting multi-faceted dimensions of decentralisation. In addition, the power of structure constrains actors both materially and ideologically.

In the welfare stream, the Long-Term Care Insurance was introduced in 2000 and Child Allowance expanded in 2004 and 2006. After authority and responsibility of social care services were transferred to subnational government in 1990, Japan's social care service delivery governance became more decentralised compared to in-cash programmes and compulsory education. Therefore, we can expect that this more decentralised governance might be reflected into delivery governance of the newly introduced Long-Term Care

insurance. Furthermore, more attention should be paid to *why (cause) and how (causal mechanism)* decentralisation had uneven impacts across compulsory education, and social care services.

Table 9.1 The Second Wave of Decentralisation in Japan (1997-2006)

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1997	Fiscal	Consumption Tax Law	<ul style="list-style-type: none"> • Introduction of Subnational Consumption Tax 	National + Subnational	Subnational	Intermediate and local
2000	[Regulatory] Administrative	the Law on the Amendment of Related Laws to Promote Decentralisation	<ul style="list-style-type: none"> • Abolition of the agency-delegation affairs 	National	Subnational	Intermediate and local
	Political	Local Education Administration Law	<ul style="list-style-type: none"> • Abolition of the upper government's consent for appointing superintendents of education 			
2000	Partially funded administrative	Long-Term Care Service	<ul style="list-style-type: none"> • Introduction of Long-Term Care service • Insurer: local government • Fiscal resources: insurance premium (50%), national (25% or 20%), intermediate (12.5% or 17.5%), and local (12.5%) 	National	National	-
2000	Partially funded administrative	Child Allowance	<ul style="list-style-type: none"> • Expansion from 0-3 to 0-7 years old • 0-3 year: employer 70%, national 10%, subnational 20% • 3-7 year: (Child Allowance) national 66%, subnational 33% (Special Grant) national 100% 	National	National	-

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
2003-2006	[Partially funded] Administrative	Basic Policy for 2003	[U-AD] (2,644 billion yen) [F-AD] Personnel expenses for compulsory education, and residential care services (2,981 billion yen) [F-D] (2,051 billion yen)	National	National	National
		Basic Policy for 2004	[U-AD] (5,565 billion yen) [F-AD] Personnel expenses for compulsory education, Child-care (7,093 billion yen) [F-D] (6,559 billion yen)	National and Subnational	National	National
		Basic Policy for 2005	[U-AD] (6,441 billion yen) [F-AD] Public housing, nursing homes, National health care insurance, and compulsory education (17,539 billion yen) [F-D] (17,429 billion yen)	National and Subnational	National	National
		Basic Policy for 2006	[U-AD] (5,823 billion yen) [F-AD] Public housing, child allowance, public school facility (6,544 billion yen) [F-D] (6,016 billion yen)	National and Subnational	National	-National
2004	Partially funded administrative	Child Allowance	<ul style="list-style-type: none"> The expansion from 7 to 9 years old 	National	National	-
2006	Partially funded administrative	Child Allowance	<ul style="list-style-type: none"> The expansion from 9 to 12 years old 	National	National	-

EXPLAINING-OUTCOMES PROCESS-TRACING: JAPAN'S SECOND WAVE OF DECENTRALISATION

Considering the theoretical limitations of Falleti's theory, explaining-outcomes process-tracing was implemented to expound *what (causes) and how (casual mechanisms)* resulted in the low level of changes in subnational autonomy.

Step 1: Collecting Data

Extensive data was collected by semi-structured interviews with key actors, documents, and a range of literature including financial statistics, election data, journal papers, policy papers, monographs, White Papers, minutes, related laws and decrees in English, Japanese and Korean. The collected data includes interests, ideas, institutional factors, and exogenous factors (Table 9.2).

In terms of *interests*, ruling and opposition interests were tied at the national level in the early 1990s. As the LDP lost the General Election in 1993, the Hosokawa Administration, a coalition government consisting of traditional opposition parties, was established in 1993. During 1993-1994, the non-LDP coalition Hosokawa Administration and Murayama Administration (the LDP, the JSP, and the *Sakigake* coalition) revealed tied ruling and opposition interests. Although the ideological bases were various from sceptics of centralised governance in an era of population ageing to those focused on enhancing accountability of public services, there was a consensus amongst national actors to accept decentralisation as a new national governing system in the era of globalisation and diversity (J3; J15).

As Falleti (2010) argued, Japan's first wave of decentralisation resulted in a low level of intergovernmental balance of power. However, the political situation became more favourable to opposition parties who supported decentralisation as the LDP lost its power with a series of political scandals. Then, in 1993, subnational associations gained a legal right to present their opinions regarding decentralisation to the Cabinet Office. Hence, throughout the second wave of decentralisation, national actors treated subnational associations as partners to build decentralisation reforms together. Subnational actors participated in the Decentralisation Promotion Committee (1995-2001) and the Economy and Fiscal Advisory Committee (2002-2006) as co-planners rather than mere observers. The Decentralisation Promotion Committee – which was established in 1995 to lead

Japan's second wave of decentralisation – set priority agendas presented by subnational associations. During the Trinity Reform – a series of administrative and fiscal decentralisation between 2003 and 2006 – detailed plans for fiscal authority assignment were established by intergovernmental negotiations in the Economy and Fiscal Advisory Committee.

The *ideological* footholds of decentralisation were diverse, although all actors agreed to promote decentralisation (Nakano 2010). The most distinct two trends are the fiscal reconstruction stream and the subnational self-governance stream (J20; Lee JM 2008). The fiscal reconstruction stream understands decentralisation as the transfer of fiscal responsibility in order to reduce government debts and increase efficiency. In the subnational self-governance stream, decentralisation is regarded as the transfer of political, administrative, and fiscal authority in order to enhance the quality of public services in the era of globalisation and diversity.

The dominant education paradigm in the 1990s was neoliberalism as a policy paradigm representing the catchphrases of *yutori (relaxation) and 'zest for living'* (Takayama 2009). The JMOC attempted to depart from centralised education regulations and to give more discretion to teachers, school, and students. In 2000, the Long-Term Care Insurance was introduced in order to socialise individuals' and family's care burdens. In addition, Child Allowance was expanded to enhance work and family balance.

Institutionally, Japan had a legislative dominant parliamentary system with a bicameral legislative body. In 1994, the election system of the Lower House was changed from the single non-transferable vote (SNTV) system to a mixed system of single-member districts and closed-list proportional representation. After the first wave of decentralisation, the power of rule-like practices – compulsory subnational matching fiscal system of agency-delegation affairs – had been weakened. After transferring administrative authority and responsibility of social care services to subnational government in 1986 and 1990, a new norm for the administrative assignment emerged: national government took the responsibility for in-cash benefits (pension, child allowance), and subnational government for in-kind benefits (social services, health care) (J4).

External factors such as *economic and demographic changes* affected decentralisation in Japan. Economic recession was protracted after the bubble economy of the 1990s

collapsed. GDP per capita was stagnated and government debts of GDP as percentage reached 95% in 1995 and 186% in 2006. The proportion of population aged above 65 reached 14.5% in 1995 and 23% in 2010 (JSTAT 2016). In addition, the total fertility rate which was 1.48 in 1995 fell to 1.34 in 2010 (KSIS 2016).

Table 9.2 Interests, Ideas, Institutions and External Context; Japan’s Second Wave

Interests	<ul style="list-style-type: none"> • Coalition Government: tied ruling and opposition interest • Relative independence of subnational politics from national politics
Ideas	<ul style="list-style-type: none"> • Policy paradigms of decentralisation <ul style="list-style-type: none"> - Decentralisation in order to enhance responsiveness and accountability - Neoliberalism, deregulation, privatisation, small government • Scepticism of centralised governance <ul style="list-style-type: none"> - Decentralisation as a measure to improve the quality of public service delivery • Policy aims <ul style="list-style-type: none"> - (Long-term care) socialisation of care burden - (Compulsory education) raising the power of thought and Yutori education - (Child Allowance) ensure work and family balance
Institutions	<ul style="list-style-type: none"> • Well-developed national and subnational bureaucratic governmentality • Parliamentary system with a bicameral legislative body • Fiscal responsibility assignment: national government for in-cash (pension, child allowance), and subnational government in-kind (social services, health care) • Relatively decentralised education and social policy governance
Economic and demographic context	<ul style="list-style-type: none"> • Economic recession • Increasing Government debt of GDP • Rapid population ageing

Step 2: Deductive and Inductive Inferences

Explaining-outcomes process-tracing with deductive and inductive inferences was applied to Japan’s second wave of decentralisation. This following explaining-outcome process-tracing traces causal pathways to a relatively high degree of change in subnational autonomy by both the structural and institutional explanations and the ideational and

psychological explanations (Beach and Pedersen 2013; Beland 2009; Parsons 2007). Explaining-outcomes process-tracing is implemented in the decentralisation stream and the welfare state stream (Figure 9.1).

The Decentralisation Stream

As systemic causal pathways, prior to **the 1997 fiscal decentralisation**, ruling and opposition interests were tied in Japan. As the non-LDP Coalition Hosokawa Administration (1993-1994) was established, national government set its policy priority on decentralisation. Under tied ruling and opposition interests, Prime Minister Hosokawa attempted to introduce a National Welfare Tax, but failed as he ignored informal processes that would build supports in the ruling coalition (Sakamoto 1999). Not only opposition parties but also the ruling coalition including the JSP was opposed to Hosokawa's national welfare Tax.

The following Murayama Administration (1994-1996) consisting of *the JSP, LDP, and Sakigake* Coalition expanded decentralisation reforms. Although as an opposition politician from the JSP, Murayama has long been opposed to increase indirect taxes. However, his position shifted continuously toward tax increasing taxes there was a consensus amongst the LDP and the *Sakigake* for a tax hike. Murayama accepted the tax hike to retain the Coalition Administration. The Murayama Administration promoted a consumption tax hike by arguing that more fiscal resources were needed for social security in an era of rapid population ageing (Nakamura 2014; Sakamoto 1999). In 1994, the Consumption Tax hike was agreed and Subnational Consumption Tax – 1% of the price of goods – was introduced to mitigate a strong opposition from the Democratic Party of Japan (DPJ).

Ideologically, Hosokawa as a former governor had long been an opposition politician who supported decentralisation. Murayama, involved in the Trade Unions of Local Government (hereafter *Jichiro*) and a former intermediate council member in Oita prefecture, picked decentralisation as a key policy area of his Administration. For Hosokawa and Murayama, decentralisation was the best way to establish governance with responsiveness and accountability (J20).

During the first wave of decentralisation, *individual and collective learning* took place. As national government exploited the political frame of inefficient and incapable centralised governance, national and subnational actors started to understand decentralisation and deregulation as solutions. In addition, the changed position of subnational government as main social service providers provided a strong legitimacy for subnational associations to request fiscal decentralisation (Diet minutes 1994). Moreover, in 1994, national plans to tackle the new social risks in the aged society, the New Gold Plan and the Angel Plan, were established.

More importantly, tied ruling and opposition interests based on their material locations did not result in fiscal decentralisation in 1997. Instead, political actors shaped their preferences based on their partisan ideology about the regressive tax-hike: the conservative LDP and the *Sakigake* supported it but the progressive DPJ, SCP, and JSP were opposed to it. However, as a result of the consumption tax hike, fiscal decentralisation took place as the first type of decentralisation in 1997.

In sum, as planned in 1994, the Hashimoto Administration (1996-1998) increased National Consumption Tax from 3% to 4% and introduced the Subnational Consumption Tax in 1997. Although fiscal decentralisation in 1997 seems the result of the tied ruling and opposition power, the main factors shaping political actors' preferences were their divergent partisan orientations about the regressive indirect tax-hike. In 1994, the ruling and opposition actors' preferences toward decentralisation were shaped by their partisan orientation rather than by material positions.

As systemic causal pathways, prior to **administrative and political decentralisation** in 2000, tied national and subnational interests are present in Japan. After the Consumption Tax increased in 1997, the Hashimoto Administration decided the substantial level of tax cuts confronting the 1997 Asian Financial Crisis. The Income Tax and the Residential Tax rates were reduced. As the Income Tax is the base of the Local Allocation Tax and the Residential Tax is a subnational tax, national government had to increase the bases of the Local Allocation Tax bases in order to compensate the subnational fiscal deficits caused by the tax reductions in 1997-2000. As national government was not able to reduce subnational revenues unilaterally, these fiscal reforms reflect tied national and subnational interests in the late 1990s.

Ideologically, scepticism of centralised governance developed into two streams: a decentralisation stream and a fiscal reconstruction stream (J20). The decentralisation stream claims a fundamental change from centralised to decentralised governance to respond to a low growth era and to enhance the quality of public policy by acknowledging diversity. The fiscal reconstruction stream pursued deregulation and privatisation in order to reduce government debts and foster economic competition. In this stream, decentralisation was regarded as a route to reduce national government deficits. Prior to administrative decentralisation in 2000, both streams were present.

During the first wave of decentralisation, local government gained administrative authority and fiscal responsibility to deliver social care services. Given rapid population ageing, national government had to improve fiscal and organisational capacity of local government in order to guarantee the quality of public services. In 1999, Japan started the municipal mergers, the so-called *Great Heisei Consolidation* (Yokomichi 2007). . The Great Heisei Consolidation had twin aims: to promote decentralisation and to improve economies of scale at the local level (J3). Although national government did not force local governments to consolidate, the merged local governments were given administrative and fiscal advantages. As a result, the number of municipalities almost halved to 1,821 by 2006. In addition, this municipal consolidation changed power of subnational associations (J2). After municipal mergers, the numbers of towns decreased (from 1,994 to 846) and villages (from 568 to 198), but the number of cities increased (from 670 to 777) (Yokomichi 2007). After the Heisei Consolidation, the National Association of Towns and Villages and the National Association of Town and Village Assembly Chiefs lost their influence and lobbying voice significantly (J2). Consequently, subnational associations constituted a more unanimous voice as the heterogeneity amongst local government was reduced. In conclusion, two ideas combined with actors' political interests prevailed during Japan's second wave of decentralisation: decentralisation as a means to establish good governance and decentralisation as a means to enhance efficiency.

According to the Decentralisation Framework agreed by the LDP, the JSP, and the *Sakigake* in 1994, the Decentralisation Promotion Committee – a third party organisation which planned decentralisation reforms and supervised implementation – was

established in 1995. The Decentralisation Promotion Committee, headed by Moroi from the business sector, was composed of six other members including academics, former subnational politicians, and a social activist (Ikawa 2008; J3; J15; Nakano 2010). The Committee also had twenty-four experts to provide support and advice. The Committee played a key role to represent subnational interests at the national level as well as to ensure policy consistency in spite of frequent Cabinet changes.

During the second wave of decentralisation, the Diet resolutions on the promotion of decentralisation (1993) and the agreement on the Decentralisation Framework (1994) continuously legitimated the Committee's activities. As a policy entrepreneur, Nisho – one of the Committee members and a professor of public administration in the University of Tokyo – had an extensive personal network, from bureaucracies in the central ministries to subnational associations, effectively balancing national and subnational interests at the Committee level (J3 2014; J15 2015; K50 2015; Nakano 2010).

The Decentralisation Promotion Committee reviewed issues proposed by subnational associations, sought consensus via public consultations, and persuaded and bargained with national and subnational actors in closed meetings (Lee JM 2008; Nakano 2010). The Committee focused on more feasible and practical issues of intergovernmental relations rather than macro and political issues including reorganisation of subnational governance. Hence, the Committee focused on the abolition of the agency-delegation system instead of fundamental changes of subnational governance – 'municipal mergers, regionalisation, and prefectural associations (*ukezara ron and doshusei*)' – and fiscal decentralisation (Ikawa 2008; J2; Nakano 2010: 82).

During 1995-1999, the Decentralisation Promotion Committee submitted the Interim Report and four Recommendations. In 1999, all efforts culminated in the enactment of *the Law on the Amendment of Related Laws to Promote Decentralisation* to abolish the hierarchical intergovernmental relation. In 2000, Japan abolished the agency-delegation system (Ikawa 2008:13). About 470 related laws were supposed to be amended by enacting *the Law on the Amendment of Related Laws*.

From the perspective of the gradual institutional change, administrative decentralisation in 2000 was implemented by a *displacement mechanism* (Mahoney and Thelen 2009). The old rule of the agency-delegation system was abolished and a new rule of legally

entrusted programmes was introduced. In addition, the introduction of a new legally entrusted affair was strictly controlled by the Diet. National government may not be able to impose administrative and fiscal responsibility to subnational government without legislation. The decentralisation processes, from administrative decentralisation in 1986 to the abolition of the agency delegation system, demonstrate institutional changes toward decentralised governance over time. Administrative decentralisation in 2000 is seen not as a simple administrative devolution but a fundamental change in intergovernmental relations from hierarchy to equal partnership (J3; J20; Nakano 2010). Yet, critics claim that whether administrative decentralisation increased subnational autonomy is in question because fiscal decentralisation was not implemented and legally entrusted programmes are not so different from the agency-delegation system (J20).

Alongside administrative decentralisation in 2000, a small scale political decentralisation – abolishing the upper government consent system in appointing superintendents in subnational government – took place in compulsory education. Administrative decentralisation in 2000 entailed a series of administrative reforms in the compulsory education sector (J18; Diet minutes 1999-2002). The authority to decide the number of students in a class was transferred to local government in 2001. With this transfer, local government began to have more discretion on hiring part-time teachers (J16). As the national intervention over extra-curricular activities was abolished in 2003, the administrative authority of local government increased. In 2004, the JMOE transferred authority to decide teacher salary to subnational government by introducing *the total discretion system* (J18; JMOE). Under the total discretion system, intermediate government in Japan has the authority to determine the level of salary and the number of teacher within the total amount of compulsory education expenses.

To summarise, the coalition administrations (1993-1996) elicited the Diet resolutions (1993) and the ruling and opposition agreement (1994), and set the cornerstones to promote administrative decentralisation in 2000. As national and subnational actors were aware of the inefficiency and incapability of centralised governance and regarded decentralisation as a solution, administrative decentralisation in 2000 – the abolition of the command-and-control system – was possible. Administrative decentralisation of social care services in 1986 and 1990 had *reinforcing demonstration mechanisms* to

administrative decentralisation in 2000. In addition, fiscal decentralisation in 1997 had reinforcing causal power to increase subnational interests which resulted in administrative decentralisation in 2000.

As systemic causal pathways, prior to **administrative and fiscal decentralisation** during 2003-2006, dominant ruling LDP interests are observed in the Diet. After the Hashimoto Administration (1997-1999), the LDP was not required to make a coalition administration with progressive opposition parties. Although the Obuchi Administration (1999-2000), the Mori Administration (2000-2001), and the Koizumi Administration (2001-2006) were coalition governments, the coalition partners of the LDP had *the Komeito* with conservative partisan orientations. Hence, ruling actors who took power after 2000 regarded decentralisation as a means of fiscal reconstruction (J20). At the same time, subnational interests grew significantly after administrative decentralisation in 2000. Therefore, six subnational associations were actively involved in the next round of decentralisation reforms.

Two streams of decentralisation and fiscal reconstruction competed and bargained in administrative and fiscal decentralisation in 2003-2006 (J20). In June 2001, the Decentralisation Promotion Committee submitted the Final Report to urge fiscal decentralisation in order to complete the decentralisation reform started with the 2000 administrative decentralisation (DPC 2001). In 2001, *the Council for Decentralisation Reform* was established as a third party organisation to promote decentralisation. Simultaneously, the Koizumi Administration (April 2001 – September 2006) announced a *Fiscal Reform Framework* concerning economic and financial management and structural reforms (Ikawa 2008: 21). The Economy and Fiscal Advisory Committee (2002-2006) took charge of this *Fiscal Reform Framework*.

The first move to the Trinity Reform during 2003-2006 was made by Katayama, Minister of JMIAC, to propose the basic framework of the Trinity Reform – the reduction of national subsidies, the transfer of taxing authority, and the increase of Local Allocation Tax – in 2002 (J3; J15). The Trinity Reform (2003-2005) was developed within inter-ministerial negotiations and bargaining between the JMIAC with subnational associations and the JMOF with the business sector. J20 (interviewee) described administrative and fiscal decentralisation during 2003-2006, hereafter the Trinity Reform, as *the rivalry*

between fiscal retrenchment and decentralisation. In the processes of the Trinity Reform, national government intended fiscal reconstruction to reduce public expenditure by making a coalition with subnational government (J20).

In addition, national government made a fiscal retrenchment coalition with the business sector in order to tackle resistance from subnational associations (J3; Nakano 2010). The business sector supported the JMOF by arguing that the alignment between administrative responsibilities and fiscal authorities enhances fiscal efficiency (Diet minutes 2002-2006; Council for Decentralisation minutes 2001-2003). Subnational associations opposed administrative and fiscal reforms during 2003-2006 as the transferred taxing authority was insufficient to meet decreased earmarked and non-earmarked subsidies (J15; J17).

During the negotiations, subnational associations were respected as co-planners of the administrative and fiscal reforms rather than seen as mere participants (J15). Although the total amount of reduction and transfers were determined, the opinions of subnational associations were reflected to administrative and fiscal reforms. Many national politicians in the Diet – who did not strongly oppose to administrative decentralisation in 2000 – strongly resisted the Trinity Reform in 2003 as the reforms were going to undermine national politicians' interests surrounding the allocation of national earmarked subsidies (J20). Under these circumstances, the leadership of Prime Minister Koizumi enabled administrative and fiscal decentralisation during 2003-2006. Koizumi showed clear directions such as the four trillion yen decrease of earmarked subsidies, the transfer of tax base amounting three trillion yen, and the five trillion yen reduction of the Local Allocation Tax. Yet, the detailed contents were left to be decided by negotiations amongst national bureaucrats, subnational associations, and the business sector (J20; Kim SE 2003).

The Trinity Reform had changed the volume of national subsidies to subnational government. Given demographic changes – the increase of the elderly and the decrease of students – subnational actors favoured administrative decentralisation of compulsory education and national actors favoured administrative decentralisation of the in-cash public assistance program (J8; J15; Lee JM 2008). As the JMOE strongly resisted transferring fiscal responsibility of compulsory education to subnational government, the

national responsibility for teacher salary for compulsory education decreased from 50% to 66% instead of being abolished. The in-cash public assistance program remained as a national subsidy program.

In total, 1.7 trillion yen of earmarked subsidies was abolished or converted to non-earmarked subsidy, 3 trillion yen of tax bases was transferred to subnational government, and 5.1 trillion yen of the Local Allocation Tax decreased (Ikawa 2008: 22-23; Lee JM 2008). As the transferred administrative responsibility was larger than transferred fiscal resources, the relatively larger power of national government was confirmed. Here again, we can observe not the prevailing territorial interests but the alignment between interests and ideas of actors shapes types and degree of decentralisation. Some critics argued, given the neoliberal partisan orientation of the Koizumi Administration – pursuing small government -, this fiscal retrenchment may have taken place apart from the administrative and fiscal reforms during 2003-2006 (J20). However, the trinity reform increased subnational administrative and fiscal capacity by transferring authorities and fiscal resources.

The Welfare State Stream

In the welfare state stream, the introduction of Long-Term Care Insurance was discussed in the early 1990 (J21). On the one hand, the feminist civil society sought the socialisation of the care burden by introducing the Long-Term Care Insurance. On the other hand, Long-Term Care Insurance was considered a solution to reduce non-medical uses of the Health Care service (J11). After several years of discussion, national government decided to introduce the Long-Term Care Insurance in 1997.

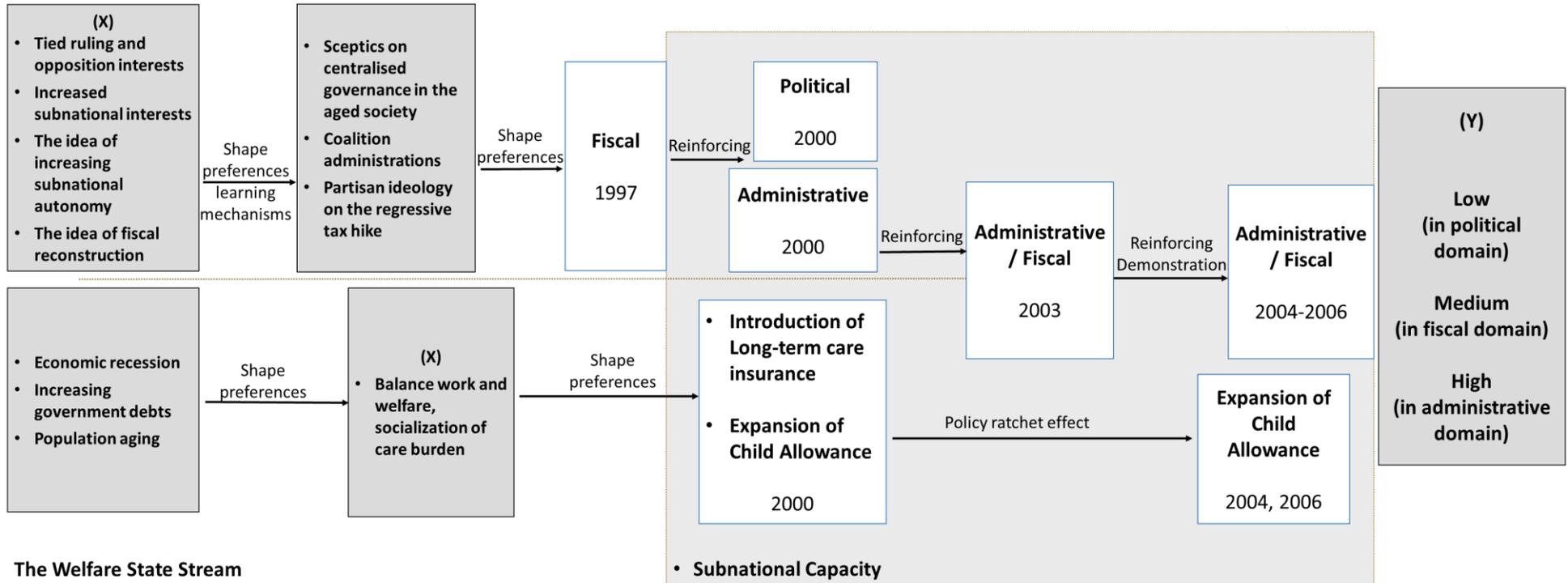
Under the Long-Term Care Insurance System, national government set the national framework and the criteria for eligible users. As an insurer, local government takes a critical role to manage and deliver care services for the elderly. Although being aware of the fiscal and administrative difficulty to manage and deliver Long-Term Care services via the experience of the National Health Insurance, local government had to take the responsibility as the administrative authority and responsibility of care services for the elderly was transferred to local government in 1986 and 1990 (J1; J21). As a key member, subnational associations participate in the Long-Term Care Insurance Committee within

the JMOLHW. The fiscal responsibility of the Long-Term Care Insurance is shared by national (25%), subnational (25%), and insurance premiums (50%).

In order to raise Japan's low fertility rate, national government expanded the target age of Child Allowance in 2000 which had a policy ratchet effect to expand Child Allowance in 2004 and 2006. The fiscal responsibility of Child Allowance is shared by national (33%), subnational (66%) governments. In sum, the introduction of the Long-Term Care services increased subnational administrative authority and fiscal responsibility. The expansion of Child Allowance increased subnational fiscal responsibility.

Figure 9.1 Explaining-Outcomes Process-Tracing: Japan's Second Wave of Decentralisation (1997-2006)

The Decentralisation Stream



Conclusion: Japan's Second Wave of Decentralisation

This section undertakes explaining-outcomes process-tracing about Japan's second wave of decentralisation in two streams of decentralisation and welfare state.

The decentralisation stream demonstrates tied interests amongst ruling, opposition, national, and subnational actors. During 1993-2000, ruling and subnational actors had dominant power to determine the direction of decentralisation as national politicians were bound by the Diet Resolutions (1993) and the Decentralisation Framework (1994). More importantly, the coalition administrations during 1993-1996 were main promoters of the second wave of decentralisation.

Material interests and ideas shaped dominant actors' preferences toward decentralisation. For ruling actors, the ruling Murayama administration – the JSP, the LDP, the *Sakigake* – had material incentives to increase indirect taxes rather than direct taxes levied by the world highest effective tax rates in order to reduce government debts and respond to population ageing (Mooji and Saito 2014; Barrios-Suvelza 2014). However, the progressive ideological orientation precluded progressive parties, including the ruling JSP, from the supporting Consumption Tax hike proposal. Opposition and subnational actors had material incentives to promote fiscal decentralisation. As a progressive party, ideologically, the DPJ was not able to support the increase of regressive Consumption Tax.

Hence, national actors compromised by increasing the Consumption Tax and transferring fiscal resources to subnational government by introducing the Subnational Consumption Tax in 1999. In 1994, the ruling and opposition parties agreed to increase Consumption Tax from 3% to 4% and introduce Subnational Consumption Tax with additional 1%. As a whole, fiscal decentralisation in 1997 was driven by ruling actors' interests to increase tax revenues and opposition actor's interests to transfer fiscal resources to subnational government.

If dominant partisan and territorial interests were the only cause to promote decentralisation, the Murayama Administration, with a majority of seats, did not need to persuade opposition actors by introducing the Subnational Consumption Tax in 1994. As a life-long progressive politician, Murayama (and the JSP) wanted to build legitimacy before increasing regressive consumption tax with the opposition actors' agreement. It suggests

that not only 'the logic-of-position' but also 'the-logic-of-interpretation' had causal power to fiscal decentralisation in 1997.

During the second wave of decentralisation, Japan had coalition administrations which gave political opportunities to opposition and subnational actors to promote decentralisation. In addition, national and subnational actors *learned* the incapability of centralised governance in an era of low growth and population ageing by the experience of the first wave of decentralisation. According to the Diet Resolutions (1993) and the Decentralisation Framework (1994), in 1995, the Decentralisation Promotion Committee was established as a third party organisation, which planned decentralisation reforms and supervised the implementations. By enacting *the Law on the Amendment of Related Laws to Promote Decentralisation* in 1999, Japan abolished the agency-delegation system and changed hierarchical intergovernmental relations into partnerships.

In line with administrative decentralisation in 2000, a small scale of political decentralisation – the abolition of the upper government's consent when appointing superintendents of education – took place in compulsory education policy. During 2001-2004, the JMOE abolished administrative and fiscal intervention which undermined subnational autonomy. As a whole, tied ruling and opposition interests under coalition administrations and increased subnational interests after the first wave of decentralisation facilitated administrative and political decentralisation in 2000. Moreover, prior to administrative and political decentralisation in 2000, political actors had a shared idea of enhancing the quality of public services by promoting subnational self-governance.

During 2003-2006, the Koizumi Administration – the LDP and small conservative parties – promoted the Trinity Reform. Although national ruling interests were dominant during the negotiations of the Trinity Reform, subnational actors had substantial bargaining power. Whilst coalition administrations consisted of progressive parties or progressive parties with the LDP during 1993-2000, the LDP was able to establish coalition administrations with small conservative parties after 2000. Ruling conservative interests were dominant at the national level, whilst subnational interests increased significantly after administrative decentralisation in 2000.

Ruling actors had material interests to transfer administrative and fiscal responsibility in order to secure fiscal sustainability and restructure big government by promoting privatisation and decentralisation in order to reduce government expenditure.

Subnational actors had material interests to ask for further administrative authority with fiscal resources and had attempted to enhance subnational self-governance in order to improve the quality of public services. These divergent interests and ideas amongst national and subnational actors resulted in the Trinity Reform – abolishing 1.7 trillion yen of earmarked subsidies, transferring 3 trillion yen of tax bases to subnational government, and decreasing 3 trillion yen of Local Allocation Tax (Ikawa 2008: 22-23; Lee JM 2008). As ruling actors had relatively larger power and the strong influence of neoliberalism, the transferred administrative responsibility was larger than transferred fiscal resources.

In the Welfare State stream, national government introduced Long-Term Care Insurance and increased Child Allowance to respond to an era of population ageing. Japan introduced Long-Term Care Insurance in 2000 as a result of the feminist civil movement to socialise care burdens and policy-makers to reduce health care expenditure. As an insurer, local government took a critical role to manage and deliver care services for the elderly. During 2000-2006, national government expanded the target age of Child Allowance. Welfare expansion, during the second wave of decentralisation, increased administrative authority and fiscal responsibility of subnational government.

Returning to questions cast in Chapter 1, what shapes the *direction* of institutional changes? What determines *types* of decentralisation?

The direction of decentralisation – giving advantages to national or subnational government – is determined by who has the power to reach and affect decentralisation. During Japan's second wave of decentralisation, ruling, opposition, national, and subnational actors shared the power to shape the direction of decentralisation.

The types of decentralisation – administrative, fiscal, and political decentralisation – are shaped by dominant actors' ideas such as partisan orientations and neoliberal pursue of small government. During Japan's second wave of decentralisation, ruling actors had material interests to transfer fiscal responsibilities to subnational government whilst subnational actors had interests to request further administrative and fiscal authorities. During 1993-2000, the coalition administrations, consisting of actors who favoured

decentralisation, had ideas – enhancing subnational self-governance in order to improve the quality of public service – to transfer more authority to subnational government. This ideological propensity which regards decentralisation as a means to establish good governance is reflected in fiscal, administrative, and political decentralisation during 1997-2000.

During 2000-2006, the ruling LDP had ideas – the scepticism of centralised governance and favouring small government – promoting the transfer of administrative authority and fiscal responsibility to subnational government. In contrast, subnational actors had the idea of enhancing subnational self-governance. As both ideological footholds favours decentralisation, administrative and fiscal authorities were transferred to subnational government. Under relatively strong ruling interests of the Koizumi Administration, more fiscal responsibilities were transferred than fiscal authorities.

Institutional and structural factors had causal power to shape ruling actors' preferences on decentralisation. The experiences of the first wave of decentralisation offered subnational government opportunities to build bargaining power vis-à-vis national actors. Structural changes of economic recession and population ageing created scepticism about centralised governance which led actors to favour administrative and fiscal decentralisation.

In conclusion, Japan's first wave of decentralisation demonstrates that both interests and ideas are important factors to determine types and strength of decentralisation. The ruling LDP regarded decentralisation as a means to achieve small government whilst subnational actors regarded decentralisation as a means to establish good subnational self-governance. As both the ruling LDP and subnational actors had ideological footholds to favour administrative and fiscal decentralisation, the Trinity Reform (2003-2006) was able to take place.

KOREA'S SECOND WAVE (1999-2008): DECENTRALISATION AND THE WELFARE STATE

Context prior to Korea's Second Wave of Decentralisation

After the first wave of decentralisation, two economic and political events took place in Korea. First, the Asian Financial Crisis in 1997 stroke the Korean economy and resulted in an IMF (International Monetary Fund) bailout which entailed a broad-range of reforms including fiscal retrenchment, corporate governance restructuring, labour market reforms, and liberalisation and deregulation. Second, Kim DeaJung was elected in 1997 as the first president from an opposition party since 1961. Political decentralisation in the 1990s gave electoral successes to opposition parties in polls; they won a majority of seats in the subnational election of 1995 and in the general election of 1996. These favourable situation increase subnational interests and culminated with the election of Kim DaeJung as President of Korea.

The political change in 1998 brought about a rearrangement of actors' interests and ideas. First, as the ruling party changed, the partisan orientation of the government shifted from conservative to progressive agendas; the Kim DaeJung Administration had pro-welfare and pro-decentralisation partisan orientation. Second, under territorialised party politics, the political base of the ruling party shifted from southeast regions to southwest regions where President Kim DaeJung came from. Third, the Kim DaeJung Administration strengthened the organisational capacity of subnational government by legalising subnational associations who actively participated in the second wave of decentralisation.

During the second wave of decentralisation, the ruling party had progressive partisan orientation including decentralisation, participation, and welfare expansion. Although the ruling party did not have a majority of seats in the National Assembly, there were dominant ruling interests during 1998-2000 with *the DJP coalition* – political coalition of opposition leaders (Kim DaeJung and Kim JongPil) (K21; Jung 2008; Shon 1999). The progressive administrations – the Kim DaeJung and the Roh MooHyun Administrations – aimed at establishing decentralised governance and expanding the Welfare State during the second wave of decentralisation. Thus, the sequence of Korea's second wave of decentralisation was investigated in two streams: a decentralisation stream and a Welfare State stream.

Sequence of Korea's Second Wave of Decentralisation

The Decentralisation Stream

The Kim DaeJung Administration (1998-2003) started the second wave of decentralisation under the slogan of *decentralisation and balanced national development*. The sequence of Korea's second wave of decentralisation is outlined in Table 9.3.

As the first type of decentralisation, national government increased **the Local Shared Tax**. In 1999, the Presidential Committee for the Promotion of Transfer of Central Authorities (PCPTCA) was established to transfer administrative authorities and responsibilities to subnational government. As the second type of reform, the PCPTCA decided to transfer 1090 national programmes to subnational government during 2000-2002 (**administrative authority decentralisation**) and completed transfers of 240 national programmes to subnational government by 2003 (PCPTCA 2003).

As the third type of decentralisation, in 2001, national government transferred fiscal resources to subnational government and subnational education governance. National government increased **the Tobacco Consumption Tax** transferred to subnational government and **the Local Education Grant** transferred to subnational education governance. As a horizontal transfer to subnational education governance, national government forced well-off intermediate government increase **statutory transfers** to subnational education governance. As the fourth type of reform, during 2002-2004, national government transferred **administrative responsibility of deliver junior high education** without fiscal resources to subnational government (K8; K10).

The Roh MooHyun Administration (2003-2008) – as a successor of the Kim DaeJung Administration – promoted *participation and decentralisation* as its top agendas. The Presidential Committee for Government Innovation and Decentralisation (PCGID) was established in 2003 as an independent promoter of decentralisation. The PCGID framed *the Decentralisation Roadmap*, including twenty decentralisation agendas in 2003, and enacted the Special Law on Decentralisation Promotion to implement the Decentralisation Roadmap in 2004. Decentralisation reforms during 2005-2008 unfolded based on this Decentralisation Roadmap (K1; K9).

As the fifth type of decentralisation, national government implemented **a series of administrative and fiscal reforms** during 2003-2005. These fiscal reforms aimed to increase subnational administrative and fiscal authorities and rectify fiscal disparity across subnational government. Ruling actors abolished the Local Transfer in order to increase fiscal authorities of subnational government (PCPP 2008).

During 1991-2003, the Local Transfer Grant contributed to expand social overhead capital in subnational government. However, subnational fiscal authority over the Local Transfer Grant was limited, as allocated by the KMOI and restricted the purpose to regional development programmes. Thus, ruling actors abolished **the Local Transfer Grant** and replaced it by three intergovernmental fiscal transfers during 2003-2005. By consolidating the Local Transfer Grant into the Local Shared Tax, most of the programmes financed by the Local Transfer Grant were **transferred to subnational government**. Some programmes considered not suitable for transferring to subnational government – water pollution prevention programmes and Youth Development programmes – were **recentralised as a national subsidy programme**. Community development programmes (126 programmes) were transferred to **the Special Account for Balanced National Development**. The KMOF has the allocation authority of the Special Account for Balanced National Development – a block grant – and subnational government had the planning and implementing authority (K2; K3; K23).

As the Local Transfer Grant was abolished in 2003, **the Local Shared Tax increased** from 15% to 18.3%. The Local Shared Tax consisted of a general grant (10/11) allocated by a predetermined formula and a special grant (1/11) allocated by KMOI. In 2005, ruling actors decreased the portion of the special grant from 1/11 to 4% of the Local Shared Tax in order to increase subnational expenditure authority. The same year, national government increased **tobacco related taxes** –Tobacco Consumption Tax and Local Education Tax as subnational taxes and Value Added Tax, Health Promotion Fund Contribution, Wastes Disposal Charge as national taxes – which brought about extra revenues to national government, subnational government, and subnational education governance. In addition, the KMOE transferred 14 programmes to subnational education governance (K4; K8).

In 2005, ruling actors introduced **the Comprehensive Real Estate Tax**. Although taxing authorities for real estates were given to subnational government, the Comprehensive Real Estate Tax gave both national and subnational government taxing authorities on lands and real estates. The national Comprehensive Real Estate Tax was reallocated to subnational government based on its fiscal demands as the Comprehensive Real Estate Grant. In other words, ruling actors introduced a new progressive tax on real estates in order to transfer fiscal resources from well-off subnational government to deprived subnational government (K23).

After introducing this Comprehensive Real Estate Tax in 2005, ruling actors decreased Real Estate Transaction Tax – a sort of subnational tax – three times during 2005-2006 in order to give financial incentives to real estates' trader (**fiscal recentralisation**).

In line with fiscal decentralisation, ruling actors transferred **149 national programmes** to subnational government in 2005. Apart from the sufficiency of the transferred fiscal resources, these administrative authority and responsibility were transferred with fiscal resources – **Local Shared Grant for decentralisation** – which amounting to 0.83%, and later 0.94%, of national taxes (K22; K24).

After unfunded administrative decentralisation during 2002-2004, subnational government and education actors requested fiscal decentralisation to compensate the compulsory education expansion. However, the transferred administrative responsibilities – expanded compulsory education – during 2002-2004 was not fully compensated by fiscal resources. In 2005, ruling actors increased **Local Education Grant** by 0.5% of national taxes when consolidating fragmented intergovernmental fiscal transfer systems to subnational education governance – Local Education Grant, Local Education Transfer Grant, and Teacher Salary Grant – into Local Education Grant; it consisted of a general grant (10/11) allocated by a predetermined formula and a special grant (1/11) allocated by the KMOE. The same year, ruling actors decreased the portion of the special grant from 1/11 to 4% of the Local Education Grant in order to increase subnational expenditure authorities (K25).

As the sixth type of decentralisation, in 2006, ruling actors transferred **extensive regulatory authorities and fiscal resources** to Jeju Special Province in order to promote internationalisation and economic development (Bae 2015). As political decentralisation

reforms in subnational education governance, in February 2006, the Boards of Education in Jeju consolidated as a standing committee into the Jeju Council and the direct election for the Education Committee members in the Jeju Council was introduced. In December 2006, ruling actors introduced popular election of Educational Governors and consolidated Boards of Education into the intermediate councils (K9; K23).

As the seventh type of decentralisation, in 2006, the Roh MooHyun Administration increased Local Education Grant to compensate unfunded administrative decentralisation during 2002-2004 and the newly transferred 14 national programmes to subnational education governance in 2006 (administrative and fiscal decentralisation). The increased Local Education Grant was to be applied from 2008.

Table 9.3 Korea's Second Wave of Decentralisation: The Decentralisation Stream (1998-2008)

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
1999 (T1)	Fiscal to SG	Local Shared Tax Law	<ul style="list-style-type: none"> Increased the Local Shared Tax rate (13.27% to 15.0% of national taxes) 	National	National	Subnational
2000-2002 (T2)	Administrative to SG		<ul style="list-style-type: none"> Transferred 240 national programmes 	National	National	National
2001 (T3)	Fiscal to SG	Local Tax Law	<ul style="list-style-type: none"> Increase the Tobacco Consumption Tax 	National	National	Subnational
	Fiscal to SE	Local Education Grant Law	<ul style="list-style-type: none"> Increasing the Local Education Grant (11.8% to 13% of national taxes) 	National	National	Subnational education
	Imposing fiscal responsibility to SG (horizontal fiscal transfer)	Local Education Grant Law	<ul style="list-style-type: none"> Increase intermediate government fiscal transfer (2.6% to 3.6% of intermediate taxes) Expanded statutory transfer of secondary school teacher salary from well-off metropolitan cities and provinces 	National	National	Subnational education
2002-2004 (T4)	Unfunded Administrative to SG		<ul style="list-style-type: none"> Nationwide expansion of compulsory education (from primary to junior high) without fiscal compensation 	National	National	National
2003-2005 (T5)	Fiscal to SG	Local Shared Tax Law	<ul style="list-style-type: none"> Increased the Local Shared Tax (15% to 18.3%) Decreased Special Grant (1/11 to 4%) 	National	National	Subnational
	Fiscal to SG	Special account	<ul style="list-style-type: none"> Introduced the special account for balanced national development 	National	National	Subnational
	Fiscal to SG	Local Tax Law	<ul style="list-style-type: none"> Increased Tobacco Consumption Tax 	National	National	Subnational
	Fiscal to SG	Comprehensive Real Estate Tax	<ul style="list-style-type: none"> Introduced the Comprehensive Real Estate Tax (Collected by the national government and redistributed to subnational governments) 	National	National	Subnational

Year	Type of Decentralisation	Decentralised Policy	Policy Description	Main Actors Advancing Reform	Dominating Territorial Interests	Main Territorial Beneficiaries
2005 (T5)	(Partially Funded) Administrative to SG	Local Shared Tax Law	<ul style="list-style-type: none"> Transferred 149 programmes to subnational government Introduced the Local Shared Tax for Decentralisation (0.83% of national taxes) 	National (PCGID)	National	National
	Fiscal to SG	Local Shared Tax Law	<ul style="list-style-type: none"> Increased the Local Shared Tax for Decentralisation (0.83% to 0.94% of national taxes) 	Subnational	Subnational	Subnational
2005 (T5)	Fiscal to SE	Local Education Grant Law	<ul style="list-style-type: none"> Increased the Local Education Grant (13 % to 19.4 % of national taxes) Decreased Special Grant (1/11 to 4%) 	National	National	Subnational education
2005-2006	Fiscal recentralisation from SG	Local Tax Law	<ul style="list-style-type: none"> Decreased the Real Estate Transaction Tax (three times) 	National	National	National
2006 (T6)	Administrative and Fiscal to SG	The Special Law on Jeju Special Province	<ul style="list-style-type: none"> Abolished traditional command-and-control system in Jeju in order to economic development via deregulation Introduction of popular elections of Educational Governors and Boards of Education 	National	National	Jeju Special Province
2006 (T6)	Political to SE	Local Education Autonomy Law	<ul style="list-style-type: none"> Introduction of popular elections of Educational Governors and Boards of Education 	National	National	Subnational
2006 (T6)	Administrative to SE		<ul style="list-style-type: none"> Transferred 14 programmes to subnational education governance 	National	National	National
2008 (T7)	Fiscal to SE	Local Education Grant Law	<ul style="list-style-type: none"> Increased the Local Education Grant (19.4 % to 20 % of national taxes) 	National	National	Subnational education

The Welfare State Stream

During the second wave of decentralisation, ruling actors with pro-welfare position introduced new social programmes. The civil society, which had grown after democratisation, criticised the fragile social safety net – which could not protect vulnerable persons from unemployment and poverty during the 1997 Asian Financial Crisis – and advocated to establish a more solid social safety net (Shon 2005). In addition, demographic changes to an ageing society alerted policy-makers to expand the Welfare State. During 1999-2008, welfare expansion reforms for the period of 1999-2008 are summarised in Table 9.4.

After a long discussion with actors from civil society, in October 2000, **National Basic Livelihood Protection Service (NBLP)** was introduced as the first social programme on the basis of social rights in Korea. NBLP is nationally planned and subnationally delivered. Under the slogan of *productive welfare*, the Kim DaeJung Administration designed NBLP on the basis of welfare to work policies. Fiscal responsibility of NBLP is shared by national (50 - 80%) and subnational (50% - 20%) governments. Apart from 50-80% of benefits, national government transferred fiscal resources to place social workers to deliver the newly introduced NBLP to subnational government. The introduction of NBLP in 2000 was partially funded administrative decentralisation (K28).

As discussed, during 2002-2004, ruling actors expanded compulsory education from primary to junior high education. Although subnational education governance delivered primary and secondary education, ruling actors expanded compulsory education without transferring fiscal or human resources. The expansion of compulsory education was unfunded administrative responsibility decentralisation.

Under the slogan of *social investment*, the Roh MooHyun Administration expanded the Korean Welfare State. During 2004-2008, the beneficiaries of Infant and Child Care Services were expanded the eligible users from those who earned below of poverty line to city workers' average income. The Infant and Child Care Services are nationally planned and subnationally delivered and fiscal responsibilities are shared by national (20 - 50%) and subnational (80% - 50%) governments (K2; K3)

In 2007, the Roh MooHyun Administration enacted the Social Welfare Service Law and introduced social service voucher programmes. The voucher programmes consisted of nationally planned and subnationally delivered services – elderly care, personal assistance for disabled people, postpartum mother and infants care – and subnationally planned and delivered services. Fiscal responsibilities for voucher programmes were shared by national (50 - 80%) and subnational (50 - 20%) government. The introduction of social service voucher programmes was partially funded administrative decentralisation (K3).

In 2008, the Roh MooHyun Administration expanded the old-age pension service introduced in 1997 to the Basic Pension service for the elderly planned by national government and delivered by National Pension Service and subnational governments. Fiscal responsibilities for the Basic Pension service is shared by national (50 - 80%) and subnational (50 - 20%) government.

In 2008, the Roh MooHyun Administration introduced Long-Term Care service for the elderly; this service is planned by national government and delivered by National Health Service and subnational governments (K28). Fiscal responsibilities for Long-Term Care services are financed by insurance premium (80%) and national government (20%). Exceptionally, subnational government takes fiscal responsibilities for those who receive the National Livelihood Protection service. The introduction of the Long-Term Care service did not increase subnational administrative responsibilities. Yet, subnational fiscal responsibilities increased although it was partially supplemented by Local Shared Tax for Decentralisation (K32).

In sum, compulsory education expansion during 2002-2004 increased subnational fiscal responsibilities. The expansion of in-cash and in-kind social programmes increased subnational administrative authorities– in the case of social voucher programmes – as well as increased subnational fiscal responsibilities – particularly the Infant and Child Care service and Basic Pension service.

Table 9.4 Korea's Second Wave of Decentralisation: The Welfare State Stream (1998-2008)

Year	Type of Decentralisation	Decentralised Policy	Policy Description
2000	partially funded Administrative	National Basic Livelihood Protection Law	<ul style="list-style-type: none"> • Introduced the National Basic Livelihood Protection programme • Fiscal responsibilities were shared by national government (50% in Seoul and 80% in other Provinces) and subnational government
2002-2004	Unfunded administrative	Primary and Secondary Education Law	<ul style="list-style-type: none"> • Nationwide expansion of compulsory education (from primary to junior high) without fiscal compensation
2004-2008	partially funded Administrative	Expansion of Infant and Child Care Service	<ul style="list-style-type: none"> • Expanded Infant Care services • Fiscal responsibilities were shared by national (20% - 50%) and subnational (80% - 50%) government. • 1992-2003; strict income criteria: those who under the 120% of the poverty line • 2004-2008; changed from 50% to 100% of average income of city workers
2007	partially funded Administrative	Social Welfare Service Law	<ul style="list-style-type: none"> • Introduced social service voucher programmes • Fiscal responsibilities were shared by national government (50 – 80%) and subnational government (50 - 20%).
2008	partially funded Administrative	Basic Pension for the elderly Law	<ul style="list-style-type: none"> • Introduced Basic Pension for the elderly • Fiscal responsibilities were shared by national government (40% - 90%) and subnational government (10% - 60%).
2008	partially funded Administrative	Long-Term Care Insurance Law	<ul style="list-style-type: none"> • Introduced the Long-Term Care service programme • Financed by the Long-Term Care insurance system: Insurance premium (80%) and national government (20%). • Exceptionally, subnational government takes the fiscal responsibilities for those who receive the National Livelihood Protection service.

EXPLAINING-OUTCOMES PROCESS-TRACING: KOREA'S SECOND WAVE

Considering the theoretical limitations of Falleti's theory, explaining-outcomes process-tracing was implemented to expound *what (causes) and how (casual mechanisms)* resulted in the low level of changes in subnational autonomy.

Step 1: Collecting Data

Extensive data was collected from semi-structured interviews with key actors, documents, and a range of literature including financial statistics, election data, journal papers, policy papers, and monographs, White Papers, minutes, related laws and decrees in English and Korean. The collected data includes interests, ideas, institutional factors, and exogenous factors (Table 9.5).

Table 9.5 Interests, Ideas, Institutions and External Context; Korea's Second Wave

Interests	<ul style="list-style-type: none"> • Dominant ruling interests during 1998- 2000, and tied ruling and opposition interests during 2000-2008 • Territorialised party politics bound subnational territorial interests into ruling and opposition partisan interests • Increased subnational interests: subnational associations • Increased participations of civil society and trade unions
Ideas	<ul style="list-style-type: none"> • Policy paradigms of decentralisation <ul style="list-style-type: none"> - Enhancing participation: subnational self-governance - Improving the quality of public service delivery - Enhancing balanced national development: deconcentration • Neoliberalism: decentralisation, deregulation, and privatisation • Policy aims <ul style="list-style-type: none"> - Productive welfare: NBLP and expansion of compulsory education - Social investment: Long-Term Care Insurance and social services
Institutions	<ul style="list-style-type: none"> • Well-developed national and subnational bureaucratic governmentality • Presidential system with a unicameral legislative body • Fiscal responsibility assignment: a rule-like practice to share fiscal responsibility of social programmes • Fragmented subnational government and subnational education governance
Economic and demographic context	<ul style="list-style-type: none"> • The Asian Financial Crisis in 1997 and economic recession • Increasing government debts of GDP • Rapid population ageing and low fertility rate

As discussed, economic and political events in the late 1990s changed actors' interests and ideas about decentralisation. First, new political actors - the pro-decentralisation ruling party, subnational associations, and civil society - entered intergovernmental politics. As the Kim DaeJung Administration (1998-2003) was established in 1998, the partisan orientation of the government changed to pro-decentralisation and pro-welfare positions. In the National Assembly, ruling interests were dominant during 1998-2000 whilst ruling and opposition interests were tied during 2000-2008 except 2004 (Nam and Lee 2007).

As independent apparatus to promote decentralisation, the Kim DaeJung and the Roh MooHyun Administrations established the Presidential Committees which planned and supported the second wave of decentralisation. The two progressive administrations (1998-2008) strategically exploited the Presidential Committees – *the Presidential Committees for the Promotion of Transfer of Central Authorities* (PCPTCA) established in 1999 and the Presidential Committee on Government Innovation and Decentralisation (PCGID) established in 2003 – to overcome and bypass strong resistance from central line ministries (Bae 2015).

After the first wave of decentralisation, opposition interests increased significantly. In 1999, *four subnational associations* – National Council Association of Chairs, Association of Metropolitan and Provincial Council Chairs, National Association of Mayors, and Governors Association of Korea – were established and legalised in the Local Autonomy Law in 1999 (K6; K23). Lastly, as a new actor from civil society – People's Solidarity for Participatory Democracy, Citizens' Coalition for Economic Justice, and Civic Movement for Democratisation – entered the political scenes (K23). Civil society in Korea actively participated in the second wave of decentralisation by advancing decentralisation agendas, encouraging public awareness and discourse about decentralisation, and drafting decentralisation bills (Kim and Bae 2013).

Second, a neoliberal policy paradigm pursuing small government was diffused into the decentralisation discourse after the 1997 IMF bailout (Kim 2015). The Asian Financial Crisis and the following IMF bailout provided the Kim DaeJung Administration a good opportunity to spread *the neoliberal paradigms* of liberalisation and privatisation (Ha 2006). During the first wave of decentralisation (1989-1997), decentralisation was

regarded as democratisation and balanced national development. During the second wave of decentralisation, actors translated decentralisation as a means to increase managerial efficiency with the cognitive filter of neoliberalism (K2). The vestige of neoliberalism is observed in the Kim DaeJung Administration's attempt of *the Government Management Diagnosis* in 1998 to assess government productivity based with management techniques (The Committee of Planning and Budgeting 1998).

Ruling actors promoted decentralisation in order to establish a well-developed self-governing subnational government and 'balanced regional development' (Bae 2015: Jones and Yokoyama 2005: 7). Hence, during the second wave of decentralisation, administrative and fiscal reforms had two aims: *devolution* of centralised national power to subnational government and *deconcentration* of Seoul Metropolitan Area's resources to other intermediate governments (Bae 2015). In addition, the Roh MooHyun Administration promoted decentralisation in order to promote direct democracy and participation.

Third, territorialised party politics was continued during the second wave of decentralisation. In spite of the growing subnational interests, *the central party and national politicians* still held substantial power over subnational politicians because of the party nomination system. Whether subnational government had a strong voice vis-à-vis national government highly depends on the partisan alignment between the ruling party and the majority of subnational politicians (Nam and Lee 2007). If a majority of subnational elected politicians consist of the ruling party, it is highly likely to make a ruling coalition and reach an agreement about timing and contents of decentralisation reforms. In contrast, if a majority of subnational elected politicians consist of the opposition party, it is highly likely to have a disagreement about timing and contents of decentralisation reforms. Yet, national and subnational government have fundamentally different positions about several decentralisation issues, including the abolition of the party nomination system and the transfer of taxing authority (K23).

In subnational education governance, the progressive Kim DaeJung Administration had less material and ideological affinity with the KFTA. During the first wave of decentralisation, the conservative ruling party took the KFTA as a major partner to build education policy (K25). Yet, the Kim DaeJung Administration diversified education actors'

participation by legalising a progressive teachers' union, the Korea Teachers and Education Workers Union (KTEWU), in 1999. Furthermore, the political arena for building education policy was opened to not only education actors – teachers' unions, parents, and education academics – but also to the general public and civil society.

Finally, economic recession, population ageing, and family dissolution raised awareness about new social risks and put welfare expansion at the centre of political contestations in the second wave of decentralisation. In the late 1990s, public demands for strengthening the social safety net erupted into organised social movements. Such movements contributed to expanding the Korean Welfare State including the National Basic Livelihood Protection Service introduced in 2000 and a single scheme national health insurance established in 2000-2003 (Shon 2005: 46).

During the second wave of decentralisation, political actors clearly acknowledged the predicted risks brought by the profound change of population ageing (K28). The fertility rate became the lowest level in the world – 1.70 in 1995 and 1.22 in 2005 – and population aged over 65 was sharply increased from 5.1% in 1990 to 11% in 2010 (KOSTAT 2011). During the second wave of decentralisation, this demographic change combined with the ruling party's electoral interests was the main promoter of welfare expansion. The Kim DaeJung Administration (1998-2003) under the flag of '*Productive Welfare*' decided to introduce the NBLP in 2000 and to expand compulsory education from primary to junior high education in 2002 (K28). The Roh MooHyun Administration (2003-2008) under the flag of '*Social Investment*' implemented a series of welfare service expansions: expanding child care service in 2004-2008, introducing Long-Term Care service, basic senior pension service, and voucher services for the disabled and the vulnerable in 2007. Given the nationally planned and subnationally implemented agency delegation system in Korea, decentralisation and welfare expansion countervailed each other (Figure 9.2).

Step 2: Deductive and Inductive Inferences

The Decentralisation Stream

After the first wave of decentralisation, the Kim DaeJung Administration which had pro-decentralisation and pro-welfare expansion orientations was established in 1998. The size

of Local Shared Tax – 13.27% of national taxes set in 1981 – had not changed during the first wave of decentralisation. As the first type of decentralisation, ruling actors increased Local Shared Tax in 1999. Ruling actors transferred fiscal authorities in order to meet increased fiscal demands as fully-fledged subnational self-governance was established in 1995 (National Assembly Minutes of Korea 1999).

As systematic mechanisms, after the first wave of decentralisation, the increased opposition interests established the Kim DaeJung Administration which had the pro-decentralisation ideological orientation. In terms of interests, ruling actors who had political support from the economically marginalised southwest provinces had material interests to transfer fiscal resources them (K51). These ideological and material motivations are confirmed by the fact that the Kim DaeJung Administration did not transfer taxing authorities which gives advantages to well-off subnational government, but increased Local Shared Tax which favours economically deprived government. In sum, pro-decentralisation ideological orientations and political interests shaped ruling actors' preference toward fiscal decentralisation in 1999.

As the second type of decentralisation, ruling actors transferred administrative authority and responsibility to subnational government during 2000-2002. The Kim DaeJung Administration enacted the Law for the Promotion of the Transfers of Central Authorities and established PCPTCA in 1999 (K1). The PCPTCA initiated *the Basic Framework for Devolution*. It does not appear that ruling actors and the PCPTCA promoted the following administrative decentralisation in order to compensate fiscal decentralisation in 1999. Rather, administrative decentralisation during 2000-2002 was promoted based on the Law for the Promotion of the Transfer of Central Authorities which aimed to delegate national administrative authorities in line with developing subnational self-governance which started in 1991.

In addition, administrative decentralisation during 2000-2002 did not compensate fiscal decentralisation in 1999. The PCPTCA had weak legitimacy and organisational capacity to overcome resistances to decentralisation from national ministries and politicians. There was a substantial gap between what national government wanted to transfer and what subnational government wanted to receive (K31). National line ministries sought to transfer administrative responsibilities without fiscal resources; however, subnational

government preferred gaining regulatory authority with fiscal resources. Subnational actors were not involved in the PCPTCA because they lacked trust that national bureaucrats transfers administrative responsibilities with fiscal resources (Kim 2003).

Overall, what promoted administrative decentralisation during 2000-2002 was the Kim DaeJung Administration's ideological orientation to complete subnational self-governance which was started in 1991. However, administrative decentralisation in 2000-2002 did not compensate fiscal decentralisation in 1999 which can be seen the ratio amongst national, national-delegated, subnational programmes changed little from 1996 (74:8:18) to 2002 (73:3:24) (PCGID 2003). The Kim DaeJung Administration's attempt to transfer administrative authorities and responsibilities was not successful because of strong power of central line ministries and weak organisational capacity of subnational associations.

In 2000, the Kim DaeJung Administration introduced NBLP. After the 1997 Asian Financial Crisis revealed the fragile status of social safety net in Korea, there were organised demands from civil society for welfare expansion. The bill of the NBLP was initiated and developed by 26 religious, labour, and civil groups (National Assembly minute 1999) (K28). The ruling party's pro-welfare partisan position contributed to the introduction of NBLP. NBLP was presented as the presidential election pledge in 1997 alongside the expansion of education investment and pension for the elderly (K28). In addition, the idea of *Productive Welfare* – influenced by workfare in USA, active labour market policy in Sweden, and Welfare to work in UK – had influence the design of NBLP to include workfare programmes (Presidential Committee for Enhancing Quality of Life 2000). Therefore, strong demands and participation of civil society, its ideological affinity with the Kim DaeJung Administration, and electoral interests of the ruling party had reinforcing causal power to the introduction of NBLP.

When NBLP was established, civil society argued that NBLP should be planned and financed by national government in order to secure a national minimum and regional equity (Presidential Committee for Enhancing Quality of Life 2000). Thus, NBLP was introduced as an agency-delegation affair: national government designs NBLP – the sorts and levels of benefits and the criteria of eligible users – and subnational government delivers in-cash and in-kind services to beneficiaries. As the rule-like practice of fiscal

responsibility assignment of in-cash social programmes, the fiscal responsibility of NBLP was shared by national (50-80%) and subnational government (50%-20%).

When NBLP was introduced, the Kim DaeJung Administration transferred fiscal resources for hiring social workers to subnational government (K28). As NBLP was the first national programme based on social rights in Korea, subnational government did not have personnel and organisational capacity to deliver this type of social programmes. In addition, in spite of the first wave of decentralisation, national government still controlled personnel and organisation management of subnational government. Therefore, the KMOHW aimed to develop delivery governance in subnational government by transferring fiscal resources to supplement social workers (K28).

This observation is compatible with Falleti's (2010: 207) argument of the relation between institutional arrangements prior to decentralisation and the types of decentralisation reforms. For example, Argentina, which has a decentralised education financing and delivery system, was able to implement unfunded administrative decentralisation, whilst Mexico, which had only a central financing and provision system, had to transfer fiscal resources with administrative responsibility.

Overall, strong demands from civil society and the ruling party's electoral interests, as well as pro-decentralisation partisan position, had reinforcing power to the introduction of NBLP in 2000. NBLP was introduced as an agency-delegated affair as public consensus to secure a national minimum was prevailing. Under the rule-like practice of subnational fiscal matching obligation, national actors introduced NBLP as partially funded administrative decentralisation. Moreover, national actors had to transfer fiscal resources for hiring social workers as subnational government lacked capacity to the capacity deliver in-cash social programmes.

After the Kim YoungSam Administration expanded education investment based on the 5.31 Education Plan, public education investment in Korea stagnated in the aftermath of the IMF bailout in 1997. The Kim DaeJung Administration had electoral interests to increase education investment as the presidential election pledges in 1997 included the increase of education investment up to 6% of GNP. In addition, the number of constitutional appeals asking for compulsory education expansion grew. Given public demands, ruling actors announced a nationwide expansion of compulsory education from

primary to junior high education (KMOE 2001; Lee 2003). Fiscal decentralisation in 2001 was implemented the rearrangement of the intergovernmental fiscal systems of education in order to prepare for the compulsory education expansion which was scheduled for 2002.

In 2001, national government increased vertical and horizontal fiscal transfers to subnational education governance (K8; K10). As a vertical transfer, Local Education Grant and Education Tax were increased. As a horizontal transfer from subnational government to subnational education governance, the statutory transfer grew from 2.6% to 3.6% of intermediate taxes and the statutory transfer for secondary school teacher salary grew – from Seoul (100%) and Pusan (50%) – to Seoul (100%), Pusan (50%), and other metropolitan cities and Gyeonggi (10%). At the same time, national government increased Tobacco Consumption Tax in order to compensate this horizontal fiscal transfer. Overall, what promoted (vertical and horizontal) fiscal decentralisation to subnational education governance was the material interest of ruling actors to seek public ‘credits’ from the expansion of compulsory education (Bonoli and Natali 2012). In addition, the pro-welfare partisan ideology and the policy paradigm of *productive welfare* shaped ruling actors’ preference to increase education investment.

During 2002-2004, national government expanded compulsory education, from primary to junior high education, without transferring fiscal resources to either subnational government or subnational education governance. Yet, Local Education Autonomy Law and Local Education Grant Law stipulated that national government provides compulsory education, and national and subnational government provides non-compulsory education. Under the aligned partisan interests between the ruling party and a majority of subnational government, the hierarchical structure of political parties precluded subnational actors from resisting this unfunded administrative decentralisation (K10; K27). Moreover, subnational actors could not make a unified opposition as national government transferred fiscal responsibilities of expanded compulsory education only to well-off intermediate government (i.e., Metropolitan Cities and Gyeonggi government).

Unlike the introduction of NBLP, which entailed transfers of fiscal and personnel resources, ruling actors did not transfer additional fiscal resources with compulsory education expansion during 2002-2004. As subnational education governance delivered

the expanded junior high education since 1949 with horizontal and vertical fiscal transfers, ruling actors did not transfer further fiscal resources in 2002. As subnational education governance already had capacity to deliver expanded compulsory education, national government did not need to transfer resources to develop delivery governance in subnational government. Conclusively, alongside the ruling party's electoral interests and pro-welfare partisan position, administrative and fiscal capacity of subnational education governance shaped ruling actors' preference toward unfunded administrative decentralisation during 2002-2004.

As a political successor of the Kim DaeJung Administration, the Roh MooHyun Administration (2003-2008) was established. With the slogans of *participation and decentralisation*, the Roh MooHyun Administration succeeded decentralisation reforms of the previous Kim DaeJung Administration. As a politician, President Roh MooHyun had the idea that subnational self-governance is a powerful measure to promote empowerment and participatory democracy (Roh 2010). In 1993, Roh MooHyun established the Research Institute for Subnational Self-Governance Practice (RISSP) as an opposition politician outside of the National Assembly. The RISSP became a meeting place of progressive opposition politicians; it was established to study empowerment of community and citizen and disseminate practical strategies (Roh 2010).

President Roh MooHyun dispatched politicians, academics, and civil activists with pro-decentralisation ideas into governmental bodies (Bae 2015; K16). Civil society – which was excluded during the first wave of decentralisation and was a cooperative participant during 1998-2002 – planned decentralisation processes as ideological founders and policy brokers (Bae 2015). Pro-decentralisation politicians were appointed as the Minister of the KMOI, and pro-decentralisation academics were appointed as heads of PCGID and the Presidential Committee for Balanced National Development (PCNBD) (K2). Academics and civil activists supporting decentralisation participated in decentralisation processes as members of PCGID and PCNBD.

During the Roh MooHyun Administration (2003-2008), the opposition party with less decentralisation preference was dominant in the National Assembly. The ruling party had majority seats for less than one year, which explains why most of the legislation for administrative and fiscal decentralisation was implemented in late 2004 and early 2005

(K1). Although four subnational associations¹³ – established and legalised by the Kim DaeJung Administration in 1999 – developed their organisational capacity, the partisan control of subnational politicians was even increased by introducing the party nomination system for local councillor's election in 2006 (K23). As the opposition party had substantial power in national politics, subnational interests – mainly consisting of the opposition party – had grown noticeably by combining with opposition partisan interests during 2004-2008.

The Roh MooHyun Administration established a solid legal and institutional apparatus – the Special Law for Decentralisation and the PCGID in 2003 – to promote decentralisation (Kim and Bae 2013; K1). The Special Law for Decentralisation stipulated three principles of decentralisation: subsidiary, comprehensiveness, and civil participation. Having learnt from previous experiences of the Joint Committee for Devolution and the PCPTCA, subnational actors were able to codify that administrative responsibilities should be transferred with relevant fiscal and human resources. Substantial number of pro-decentralisation academics and civil societies were involved in the PCGID as either members or advisors (K1; K9; K23).

The policy paradigm of democratisation and neoliberalism coexisted during 2004-2008. As can be seen in the presidential election slogans of *participation and decentralisation*, the Roh MooHyun Administration (2003-2008) aimed to establish *a well-developed self-governing subnational government and 'balanced regional development'* (Bae 2015; Jones and Yokoyama 2005:7). The Roh MooHyun Administration promoted political decentralisation by the introduction of legal and institutional apparatus of direct democracy and resulted in enhancing citizen participation (K23). A series of administrative and fiscal decentralisation reforms implemented by the Roh MooHyun Administration aimed to achieve a more balanced national development by deconcentrating power and resources to non-Seoul Metropolitan Area (K2). In addition, under the idea of *Social Investment*, national government considered social returns from welfare expenditure, market mechanisms linking users and providers, and macro-economic impact of welfare expansion (Lim 2006).

¹³ Governors' Association, Mayors' association, Association of Metropolitan and Provincial Council Chairs, and National Council Association of Chairman

In the meantime, a political event changed the President's attitude towards decentralisation. In November 2003, the ruling party was divided into a more progressive party (YeolLinWooRiDang) and a less progressive party (MinJuDang). President Roh MooHyun manifested his support for the new progressive ruling party (YeolLinWooRiDang) before the General Election in 2004. Opposition parties unanimously criticised President Roh MooHyun for violating his Neutral Duty in election. Soon, the President impeachment was voted in the National Assembly, yet the Constitutional Court turned down the impeachment in May 2004.

This impeachment experience provided an opportunity to be aware of the impact of the partisan interest misalignment between national ruling and subnational government on decentralisation (Nam and Lee 2007; K2, K9, K13, K17, and K23). After the 2004 impeachment, as Nam and Lee (2007) argue, the Roh MooHyun Administration actively promoted agendas neither transferring police authority to subnational government, nor abolishing the command-and-control system in order to transfer regulatory authorities.

Instead, the Roh MooHyun Administration focused on top-down and bottom-up controls of subnational government under the guise of increasing transparency and accountability. The Local Contract Law and the Basic Law on Subnational Fund Management enacted in 2006 contributed to strengthen national government's fiscal control over subnational government (Nam and Lee 2007). In addition, as a bottom-up measure to control subnational politicians, the citizen recall system for subnational politicians was introduced (K14). According to K23, after the impeachment in 2004, President Roh MooHyun changed his position to support the introduction of citizen recall system for subnational politicians.

During 2004-2008, a series of administrative, fiscal, and political decentralisation reforms were implemented based on *the Decentralisation Roadmap* established by PCGID. During 2003-2005, ruling actors reformed the intergovernmental fiscal transfer system. First, in 2003, the Roh MooHyun Administration abolished Local Transfer Grant. This Grant, introduced in 1991, transferred a certain percentage of national taxes to subnational government as a block grant for improving regional infrastructure. As Local Transfer Grant was only used for regional development programmes, it undermined subnational fiscal authorities. Thus, ruling actors abolished Local Transfer Grant in 2003 (K23).

Second, in 2005, most of the programmes previously supported by Local Transfer Grant were transferred to subnational government as well as the relevant fiscal resources were transferred into Local Shared Tax. Due to a strong resistance from the Mayor's Association, fiscal transfers for road construction and maintenance, to local government, within the abolished Local Transfer Tax, continued until 2008. In addition, programmes of water pollution and the Youth development were recentralised as national subsidy programmes (K9).

Third, programmes of community development were transferred to subnational government with the newly introduced Special Account for Balanced National Development. As subnational government planned regional development programmes and national government reviewed and allocated fiscal resources, the design of the Special Account for Balanced National Development reflects the intention of the Roh MooHyun Administration to control fiscal resources concerning community development (K2). Fourth, in 2005, national government increased Local Shared Tax by 0.5% and decreased the portion of the special grant in from 1/11 to 4% which contributed to increase subnational autonomy (K23).

Overall, the 2005 fiscal reforms in subnational governance simplified intergovernmental fiscal systems, reduced national politicians' power over subnational expenditure, and increased fiscal discretion of subnational government. Yet, this fiscal decentralisation in 2005 increased subnational expenditure authorities rather than subnational revenue authorities. The policy paradigm of balanced national development and commitment to equity pulled the Roh MooHyun Administration back from transferring taxing authorities to subnational government. Instead, the policy paradigm of enhancing subnational self-governance had *reinforcing causal power* to give the intergovernmental fiscal systems more discretion.

According to *the Decentralisation Roadmap (2003)*, in 2005, the Roh MooHyun Administration promoted administrative decentralisation by transferring national subsidy programmes to subnational government. The PCGID reviewed all earmarked national subsidy programmes, and transferred 149 national programmes to subnational government and 126 national programmes to the Special Account for Balanced National Development (PCPP 2008). During the negotiations between the PCGID and central line

ministries, the PCGID tried to transfer as many as national subsidy programmes to subnational government as possible, and line ministries tried to maintain these programmes in their hands (K1; K2; K23). Also 67 out of 149 transferred national programmes were related to social service programmes for vulnerable persons (K3). For instance, residential services for the elderly, disabled people, and children, and the national subsidy for social workers who employed for the implementation of the NBLP were transferred to subnational government (K22; K28). Some members of the PCGID admitted that there was a controversy over transferring those social service programmes to subnational government because decentralisation may result in the undersupply of these services (K2; K16; K22).

After the 2005 decentralisation, there was controversy in KMOHW whether the yearly guidelines for the transferred services should be distributed to subnational government or not (K22). Subnational government had difficulty to manage decentralised programmes without national government's guidelines. Due to strong requests from the subnational government, KMOHW made national guidelines for the decentralised programmes (K22). This demonstrates that decentralisation does not automatically increase subnational autonomy; subnational (administrative, fiscal, and political) capacity prior to decentralisation is important (Ziblatt 2004).

K17 reflects that the terrain of decentralisation in social programmes would have changed significantly if NBLP – the largest in-cash programme – had been transferred instead of 67 small programmes. Although K27 was personally opposed to transfer national subsidy programmes to subnational government, he admitted that administrative decentralisation in 2005 provided organisational rooms to accommodate new social policy programmes in 2007 and 2008. In sum, the rule-like practice of command-and-control system did not disappear after the 2005 decentralisation reform. Rather, subnational government has asked recentralisation of the 67 social programmes to national government. From the perspective of the gradual institutional change, administrative decentralisation in 2005 was implemented by a *layering mechanism* (Mahoney and Thelen 2009). As central line ministries were opposed to administrative decentralisation, ruling actors and PCGID layered 149 programmes as subnational affairs under the agency-delegation system.

With the experience of JCD and PCPTCA, national and subnational actors became aware of the importance of transferring administrative responsibilities with fiscal resources. Alongside the 149 national programmes which were transferred to subnational government, the KMOI arranged fiscal resources to compensate the transferred national programmes. The KMOI tried to introduce Local Shared Tax for Decentralisation, about 1.26 per cent of national taxes. However, the KMOPB was reluctant to transfer further fiscal resources as the subnational revenues were increased by a Tobacco Consumption Tax hike in 2005. After severe debate at ministerial and legislative levels, 149 national programmes were transferred to subnational government with the newly introduced Local Shared Tax for decentralisation amounting to 0.83% of national taxes in January 2005 (K2; K17).

In December 2005, ruling actors increased Local Shared Tax for Decentralisation, from 0.83% to 0.94% of national taxes, because subnational government requested an increase of Local Shared Tax for Decentralisation which was not sufficient to cover fiscal demands from the devolved 149 programmes (K22; K28). Overall, the strengthened subnational interests combined by the opposition partisan interests had reinforcing causal power to increase Local Shared Grant for Decentralisation in December 2005.

Apart from the administrative and fiscal reforms during 2003-2005, the Roh MooHyun Administration announced *the 8.31 Real Estate Measures* to tackle speculative investment on real estate in 2005 (K21). According to the 8.31 Real Estate Measures, Comprehensive Real Estate Tax was introduced by expanding tax bases of subnational land taxes into progressive real estate taxes across the country to lessen speculative real estate investment. Traditionally, the taxing authority related to real estate was given to subnational governments. The Comprehensive Real Estate Tax allowed national government to levy taxes on lands and real estates. Ruling actors reallocated the national share of the Comprehensive Real Estate Tax to subnational governments based on fiscal demands and losses of the real estate transaction taxes (k1). The real fiscal effect of the Comprehensive Real Estate Tax is the horizontal fiscal transfers from well-off to deprived subnational government. In addition, during 2005-2006, the transaction taxes of real estate and subnational taxes were reduced in order to facilitate real estate trading (K21).

What promoted the introduction of the Comprehensive Real Estate Tax? The Roh MooHyun Administration's policy priority was on equity rather than efficiency. The progressive orientation of the Roh MooHyun Administration had *reinforcing causal power* to the introduction of a new tax system levied on speculation of real estate possession. Although having the strongest decentralisation propensity in the Korean history, the Roh MooHyun Administration, with the slogan of balance national development, could not transfer taxing authorities to subnational levels because this transferred taxing power may aggravate regional fiscal disparity (K21). Instead, the Roh MooHyun Administration introduced the Comprehensive Real Estate Tax and reallocated collected revenues to supplement deprived regions' fiscal resources (K1).

The Roh MooHyun Administration's material interests also had causal power to the introduction of Comprehensive Real Estate Grant (K1). Ruling actors needed fiscal resources to rein subnational government under the misaligned partisan interests between the ruling party and the majority of subnational government. By having fiscal resources to transfer subnational government, ruling actors could expect subnational government's compliance and support for decentralisation reforms and welfare expansion. K1 mentioned that the Roh MooHyun Administration expected that 'local governments who gained more fiscal resources from Comprehensive Real Estate Tax would be guardian angels of further development of subnational self-governance even after this Administration'.

When ruling actors announced the introduction of Comprehensive Real Estate Tax, in 2005, the conservative opposition party strongly resisted. In particular, Seoul Metropolitan Government, which had a mayor from the opposition party, resisted strongly because this Comprehensive Real Estate Tax aimed horizontal intergovernmental fiscal transfers from well-off subnational government to deprived subnational government (Nam and Lee 2007). The Mayor's Association also opposed it, by arguing that the introduction of Comprehensive Real Estate Tax meant to recentralise real estate holding taxes which contradicted the Roh MooHyun Administration's presidential pledges of decentralisation (K21).

Overall, the policy paradigm of balanced national development and the progressive partisan orientation of the Roh MooHyun Administration had reinforcing causal power to

the Introduction of Comprehensive Real Estate Tax in 2005. In addition, the material motivations to overcome the misaligned partisan interest between national ruling and subnational majority also had reinforcing causal power.

In subnational education governance, in 2005, ruling actors consolidated Local Education Transfer Grant and national transfer of compulsory education teacher salary into the Local Education Grant. In addition, ruling actors increased Local Education Grant by 0.25% and decreased the portion of the special grant in from 1/11 to 4%. According to KMOE (2004), this is fiscal decentralisation because 0.25 % of national taxes were added to the sum of the extant Local Education Grant, Local Education Transfer Grant, and national transfer of compulsory education teacher salary. In contrast, Kim et al. (2006) and Song (2007) argues that this is a mere consolidation reform of several vertical intergovernmental fiscal transfer systems.

Overall, in subnational education governance, fiscal decentralisation partially *compensated* unfunded administrative decentralisation during 2002-2004 and increase subnational fiscal discretions. As in the Argentine case of Falletti (2010), subnational actors given unfunded administrative responsibilities could not hold the lead in the following negotiation of fiscal decentralisation in Korea. Fiscal decentralisation to subnational education governance in 2005 did not contribute to increase subnational autonomy significantly.

From the moment of his election as president, President Roh MooHyun had a strong intent to develop Jeju Province as an exemplary Province of subnational self-governance (PCPP 2008). Jeju provincial government and Jeju Development Institution implemented a study on the establishment of Jeju Special Province in 2004, which became a basis of PCGID proposed *the Basic Plan for Establishing Jeju Special Province*; this plan for Establishing Jeju Special Province aimed to establish an international, investment friendly, and free City in Jeju with extensive administrative and fiscal decentralisation, as well as deregulation (PCPP 2008; Park et al. 2010; K9). In 2006, Jeju Special Province established a Performance Agreement with Prime Minister which was the first attempt to abolish the command-and-control relation in Korea. As a part of *the Basic Plan for establishing Jeju Special Province*, political decentralisation in subnational education governance was implemented in 2006. The direct elections of Education governors and Boards of

Education were likely introduced in 2006 and the first direct elections were implemented two years later.

The Performance Agreement between Prime Minister and the governor of Jeju Province reflects neoliberal policy paradigm's influence. Neoliberal policy paradigm, enhancing the quality of public service by contracting, had reinforcing causal power in decentralisation reforms in 2006. This paradigm, which aimed at establishing an internationalised and economically developed province via deregulation and decentralisation, facilitated these administrative and fiscal reforms in Jeju Province (K9). The policy paradigm of participation also had reinforcing causal power to introduce the direct election of educational governors in Jeju (K9). Moreover, the strong will of President Roh MooHyun to establish an exemplary province of subnational self-governance based on participation and decentralisation had reinforcing force to the 2006 decentralisation reforms in Jeju.

The Kim DaeJung Administration attempted to consolidate Boards of Education into intermediate councils, but failed upon strong resistance from education actors (K23). Until the Kim DaeJung Administration, education actors had more organisational capacity vis-à-vis subnational actors and the social norm of *political impartiality of education* was well-accepted by the public (K8). The Roh MooHyun Administration promoted political decentralisation of subnational education governance in order to enhance public participation in compulsory education policy and to improve managerial efficiency by linking subnational government and subnational education governance.

In 2006, national actors and education actors compromised to introduce direct elections within subnational education governance and consolidate the Boards of Education – consisting of half education members and half intermediate councillors – into intermediate councils. Political decentralisation of subnational education governance in 2006 was the result of political bargaining between higher-rank education actors and ruling politicians (K10; K22; K24; K38). Ruling actors' continuous attempts to consolidate subnational education governance into subnational government brought the education actors' interpretation about social and political contexts surrounding subnational education governance. For instance, KTEWU changed its position toward direct elections from opposition to support because the members perceived the changed political context surrounding subnational educational politics (K39). A series of election scandals of

subnational education governance created distrust toward monopolised subnational education governance. Higher-rank education actors had material interests to enter the political arena through the popular election of educational governors (K25).

Overall, ruling actors promoted political decentralisation in 2006, based on the idea of democratisation and participation. The first and second waves of decentralisation changed political actors' perception to interpret material interests and ideological orientations toward decentralisation. This *individual and collective learning* changed education actors' interpretation about political decentralisation which had the main causal power to promote political decentralisation in 2006.

In 2006, the increase of the Local Education Grant was discussed with the expansion of pre-school services and welfare programmes in the National Assembly. Ruling and opposition actors discussed further fiscal decentralisation and agreed to increase Local Education Grant from 19.4% to 20% of national taxes in 2006. According to the National Assembly minutes (2006), the increase of the Local Education Grant in 2006 was implemented as a compensation of compulsory education expansion during 2002-2004.

The Welfare State Stream

Under the *Social Investment* policy paradigm, the Roh MooHyun Administration expanded social programmes for children. During 2004-2008, the Roh MooHyun Administration expanded Infant Care programmes substantially in order to tackle the lowering fertility rate (Seo and Lee 2014). Under a rule-like practice of subnational fiscal matching obligation, national takes 20%-50% and subnational takes 50%-80%, Infant Care expansion increased subnational administrative and fiscal responsibility. Overall, the social investment policy paradigm and population ageing had reinforcing causal power to expand the Infant Care programmes. Furthermore, the expansion of the Infant Care programmes had *a reactive causal power* to subnational autonomy.

In 2007, the Roh MooHyun Administration introduced voucher social services, and the long-term care service and the basic pension for the elderly in 2008 (K3). Under the flag of social investment, the Roh MooHyun Administration designed a new social service delivery system based on social service markets. Breaking from the conventional social service delivery system of direct provision, a new social delivery system based on voucher

and user rights was introduced in 2007. Only 50%-80% of fiscal resources for four voucher programmes were transferred to subnational government. Hence, the social investment policy paradigm had reinforcing causal power to the introduction of voucher services in 2007. However, the introduction of these voucher programmes undermines fiscal autonomy.

The introduction of the Basic Pension for the Elderly is traced back to 2003. The Roh MooHyun Administration attempted to reform the National Pension System because of its low contribution and high benefits. In the National Assembly, the ruling and opposition politicians accused the Roh MooHyun Administration of being focused only on financial sustainability of the National pension system and asked it to pay attention to income supports for the elderly non-pension holders (K20). Hence, the Roh MooHyun Administration established an advisory committee for income support for the elderly and investigated policy solutions for improving income security for the elderly.

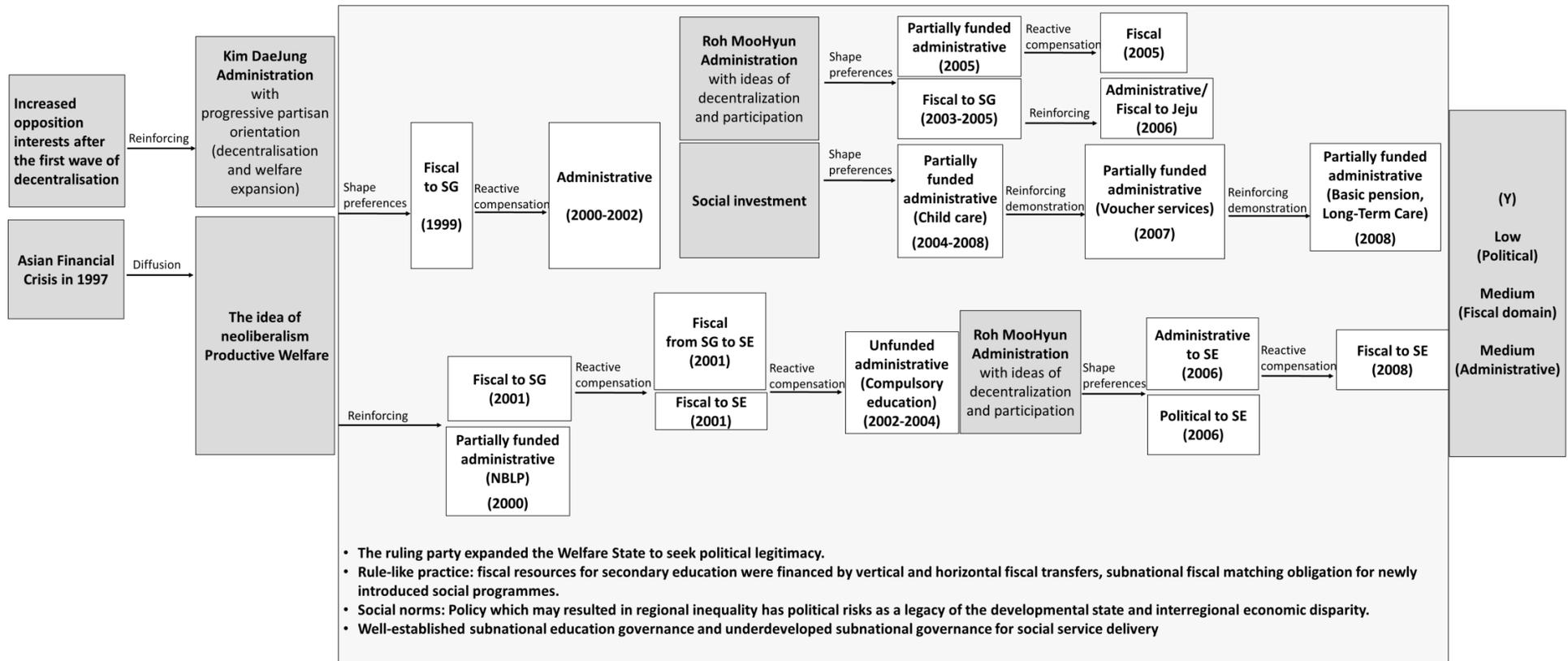
In 2006, the Roh MooHyun Administration decided to expand the extant old-age pension to the Basic Pension for the Elderly. At the same time, amendment to the National Pension System was proposed with an increased contribution and reduced income replacement rate. As a whole, the demographic change and increasing social demands had reinforcing causal power to amend the Pension Systems in Korea. Moreover, the National Pension System reform was a direct cause of the introduction of the Basic Pension for the Elderly in 2008. Yet, regarding subnational autonomy, the introduction of the Basic Pension of the Elderly had reactive causal power to undermine subnational fiscal discretion as fiscal responsibility for it shared by national (40%-90%) and subnational (60%-10%) government. Overall, because of the rule-like practice of subnational fiscal matching obligation, the introduction of the Basic Pension for the Elderly undermines subnational fiscal authority.

The introduction of the Long-Term Care Service traces back to 2001. The population Ageing and change of family structure brought about increasing social demands for care services for the elderly. The Roh MooHyun Administration established the detailed implementation plan for the introduction of the Long-Term Care Service. Hence, the progressive partisan orientation and the social investment policy paradigm had reinforcing causal power to the introduction of the Long-Term Care Service in 2008. In

addition, the demographic change and the fact that Japan introduced the Long-Term Care Service had reinforcing causal power to the Long-Term Care Service in 2008. The Long-Term Care Insurance is planned by national government and delivered by National Health Services. Subnational government takes responsibility to manage service providers. The Long-Term Care Insurance is financed by insurance premiums, national transfers, and user fees. Exceptionally, national and subnational government shared fiscal responsibility to provide long-term care services for those who have not joined Long-Term Care Insurance, including the beneficiaries of NBLP.

In conclusion, unlike Japan, during the second wave of decentralisation, welfare expansion in Korea undermined subnational fiscal autonomy but did not increase subnational administrative authority.

Figure 9.2 Explaining-Outcomes Process-Tracing: Korea's Second Wave of Decentralisation (1999-2008)



Conclusion: Korea's Second Wave of Decentralisation

This section undertakes explaining-outcomes process-tracing about Korea's first wave of decentralisation in two streams: decentralisation and welfare state. During Korea's second wave of decentralisation, ruling and opposition interests were tied. As ruling and opposition interests were tied, the direction of decentralisation depended on the bargaining and negotiation of political actors.

Ruling actors had electoral interests to promote decentralisation and balanced national development because their political supporters resided in the relatively marginalised southwest provinces. As progressive politicians, ruling actors had progressive orientations toward decentralisation, welfare expansion, and regional equity. These material interests and ideological orientations of ruling actors shaped ruling actors' preference toward decentralisation: political decentralisation in subnational education governance and fiscal decentralisation focused on horizontal fiscal transfers. In addition, the ruling party's idea to develop subnational self-governance culminated in the decentralisation reforms of Jeju province in 2006. As a pilot case of subnational self-governance, ruling actors transferred substantial fiscal resources and regulatory power to subnational government.

In contrast, the opposition party had a majority in the National Assembly and subnational government. Having a conservative position, the opposition party did not support decentralisation reforms. For instance, the opposition party explicitly hampered administrative decentralisation in 2005 by refusing to lay the comprehensive amendment bill, unlike Japan which established *the Law on the Amendment of Related Laws to Promote Decentralisation* in 2000. Furthermore, opposition actors opposed horizontal fiscal transfers from well-off to deprived provinces because such reforms resulted in progressive tax reforms of introduction of Comprehensive Real Estate Tax. Thus, based on material interests to control subnational education governance and ideological orientation to expand democratic governance, ruling and opposition actors agreed to political decentralisation in 2006.

In the Welfare State stream, ruling actors with the pro-welfare position expanded the Korean Welfare State with NBLP in 2000, compulsory education (2002-2004), child care (2004-2008), voucher services (2007), Basic Pension for the Elderly (2008), and Long-Term

Care Insurance (2008). Population ageing provided a robust rationale to expand social programmes. As a progressive position values equity rather than efficiency, most of expanded social programmes were planned by national government and delivered by subnational government. National and subnational government shared fiscal responsibility to deliver expanded social programmes based on the rule-like practices. Fiscal resources for secondary education were financed by vertical and horizontal fiscal transfers and subnational fiscal matching obligation (generally 50% for Seoul and 80% for the other intermediate government) for newly introduced social programmes.

Welfare expansion during 2000-2004 had divergent impacts on subnational government. When NBLP was introduced, national government transferred fiscal resources, according to the rule-like practice, to provide in-cash benefits to beneficiaries. In addition, it transferred fiscal resources to hire social workers in order to develop social service delivery system in subnational government. In contrast, national government did not transfer fiscal resources when compulsory education was expanded during 2002-2004 as subnational education governance had fiscal and administrative capacity to deliver expanded compulsory education.

Welfare expansion during 2004-2008 increased administrative and fiscal responsibility of subnational government. As nationally planned and subnationally delivered, the expansion of Child Care Services and Basic Pension for the Elderly increased subnational administrative and fiscal responsibility. As subnationally planned and delivered, the introduction of voucher service increased subnational administrative authority and subnational fiscal responsibility. As Long-Term Care Insurance is planned by national government and delivered by National Health Service, the introduction of Long-Term Care Insurance decreased subnational administrative authority and responsibility. As a whole, because of the rule-like practice and subnational fiscal matching obligation to newly introduced social programmes, welfare expansion increased subnational fiscal responsibility but decreased subnational administrative authority.

Returning to the questions cast in Chapter 1, “what shapes the *direction* of institutional changes?” and “What determines *types* of decentralisation?” The direction of decentralisation – giving advantages to national or subnational government – is determined by those who have power to reach and affect decentralisation. During

Korea's second wave of decentralisation, both ruling and opposition actors had power to determine the direction of institutional changes. Although the ruling party took the pro-decentralisation position, the opposition party was a majority in the National Assembly from 2000. Subnational actors were building their capacity after the legalisation of subnational associations in 1999. Subnational interests were increased after the conservative party lost their power in the national politics and became a majority in the subnational politics. Thus, whilst the ruling party had material interests to keep centralised governance but their ideological position to promote decentralised governance, the opposition party had material interests to push decentralisation but an ideological preference to centralised governance.

The types of decentralisation – administrative, fiscal, and political decentralisation – are shaped by the dominant actors' material interests and ideas. As ruling and opposition interests were tied, the types of decentralisation were influenced by material interests and ideas of ruling and opposition actors. Ruling actors had an ideological orientation to promote decentralisation to establish fully-fledged subnational governance. In addition, ruling actors had material interests to expand the Welfare State in order to satisfy grassroots public demands as a progressive party.

As a whole, the ruling actors promoted fiscal and administrative decentralisation to complete fully-fledged subnational government. Yet, ruling actors had a policy paradigm of regional disparity which often resulted in fiscal equalisation – such as Comprehensive Real Estate Tax – rather than fiscal decentralisation. Moreover, under the progressive administrations (1998-2008), welfare expansion increased administrative and fiscal responsibility of subnational government as the agency-delegation system did not abolish and rule-like practices about intergovernmental fiscal responsibilities continued. In contrast, opposition actors had ideological orientation to resist horizontal fiscal transfers and progressive tax-hike. Yet, for welfare expansion, opposition actors did not oppose explicitly because of their electoral interests. Thus, during Korea's second wave of decentralisation, there were tensions between the ruling party who promoted decentralisation and the opposition party who resisted decentralisation.

In compulsory education policy, there was no partisan preference toward decentralisation. Rather, ruling and opposition politicians who have relationships with

education sector personally opposed to unfunded administrative and political decentralisation. In particular, at the end of the second wave of decentralisation, progressive education actors turned their position from opposition to support regarding political decentralisation in 2006.

Finally, subnational capacity shapes the actors' preference toward decentralisation. When the NBLP was introduced, ruling actors transferred fiscal resources to subnational government because of lacking subnational governance to deliver in-cash social programmes. Yet, when compulsory education expanded in 2002, ruling actors did not transfer fiscal resources because of substantial administrative and fiscal capacity of subnational education governance.