Policy-Making Process in Korea: the Enactment Process of the Monopoly Regulation and Fair Trade Act

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Abstract

Three dominant perspectives on the origin of regulation (the public interest model, the capture model, and the politics model) and four models of governmental decision-making (the rational actor model, the organizational process model, the governmental politics model, and the garbage can model) are utilized in order to investigate the enactment process. This article argues that the failure to enact monopoly regulation and fair trade legislation during the 1960's and 1970's can be attributed mainly to the faithful implementation of economic development plans by the Park regime and to the public endorsement of those plans. The enactment of the MRFTA in 1980, however, is ascribed less to a problem-solving kind of activity within the Korean government and more to a temporal simultaneity of the political needs of the new military leadership and a few reform-minded career bureaucrats within the EPB.

I. Introduction

1. The Scope of Research

The problem of the economic concentration was revealed as early as 1963 by the "Samboon Padong" [the Three Powder Scandal]. The scandal gave rise to serious criticism against monopolistic or oligopolistic market structure and anti-competitive trade practices. Responding to this scandal, the Economic Planning Board (EPB) drafted the first Fair Trade Act (FTA) in 1964. Similar attempts by the EPB were made in 1966, 1967, 1969, 1971, 1973, and 1975 without any major success. The continual efforts of the EPB to enact a comprehensive antitrust and fair trade act were opposed by industry groups, related economic ministries, congress, and President Park.

On October 26, 1979 President Park was assassinated by the chief of the Korea Central Intelligence Agency. The death of the President generated serious political, economic, and social turbulence. This turbulence, however, gave valuable opportunity to the EPB for enacting new legislation. The Monopoly Regulation and Fair Trade Act (MRFTA) was enacted on December 31, 1980 by the Legislative Council for National Security (LCNS), which acted as a legislative body under new military regime. The Office of Fair Trade (OFT) and the Fair Trade Commission (FTC) were established in 1981 to implement the act.

Despite significant symbolic and actual impact of the law on the Korean economy, the detailed enactment process has been widely neglected by Korea scholars. Further, it has been a common complaint and self-reflection among students of public policy in Korea that the studies on the actual policy-making processes have been neglected when compared with those on the techniques and knowledge necessary for improving the economic rationality of policy-making (Chung, 1979; Ahn, 1978). Therefore, as the purpose of this paper, I will investigate the policy making process for the enactment of the MRFTA during the period of 1963-1980. The investigation should be able to answer the following two questions:

1. Given the serious and continual efforts of the EPB for the enactment of an antitrust and fair trade law, why was the enactment postponed until 1980?

2. How could the political turbulence of 1979-1980 in Korea provide a valuable opportunity for the passage of the long-standing antitrust act?

An immediate and casual answer to the first question would identify the change of political leadership as the independent variable for the enactment of the MRFTA in 1980. This answer leads to the following conjectures: During Park’s regime (1961-1979), Park was so preoccupied with the ideology of economic development that he suppressed the idea of antitrust and fair trade in the same way as he suppressed questions about income distribution, labor movement, and environmental issues (Chung, 1986). After Park’s assassination, Chun assumed the presidency. He believed in the virtues of antitrust and fair competition. Because of his strong leadership, the MRFTA could be passed despite the resistance of industry groups.

This answer, however, is contradicted by several important findings. First, it is very doubtful that Chun, as an ex-military general with little experience other than military affairs understood and endorsed the idea of antitrust and fair trade. Moreover, during the same period, he was committed to other ideas which were clearly contradictory to that of fair competition and the free market. Therefore, we need to investigate alternative approaches with broader perspectives.

For the second question, one could borrow a partial answer from Hirschman’s “reform-mongering.” In his classic book, Journeys Toward Progress (1963), while
explaining common features of economic reforms in Brazil, Argentina, and Chile, Hirschman posed an interesting question: what was the role or contribution of crisis and violence in leading up to such reforms? As an answer for this question, he came up with the concept of "reform-mongering." He observed a stylized response of reformers in Latin America who had usually claimed the reforms of their predecessors to be total failure, and had sought different reforms. This kind of failure complex characterized the history of economic reforms in Latin America (Hirschman, 1963: 261–263):

[C]risis may make it possible to take required actions against powerful group which are normally well entrenched and invulnerable... The intensification and aggravation of problem, frequently accompanied and signalled by certain forms of violence, is therefore one way in which reformers strengthen their own motives, gather new allies, and gain new insights.

The concept of "reform-mongering," I think, is a very important one in understanding the politics of developing countries and is useful in characterizing the reforms of 1979–1980 in Korea. However, the concept gives us a mixed-blessing in explaining the enactment of the MRFTA. It could explain why the act was enacted at that specific time, but it fails to explain persuasively why further reforms were neglected. There were many reform agenda in 1979–1980: the privatization of commercial banks, reforms on monetary and fiscal policy, reform on land speculation, to name a few. The "reform-mongering" does not account for the failure of the agenda. Therefore, our analysis of the enactment of the MRFTA requires further explanation.

2. Methodology

The questions for my research entails investigating two theoretical frameworks that together are comprised of seven process models. The first framework is comprised of the public interest model, the capture model, and the politics model, which are the three dominant perspectives on the origin of regulatory agencies. The second theoretical framework for the policy-making process of the MRFTA enactment entails broader and more general perspectives on government behavior and includes the rational actor model, the organizational process model, the governmental politics model, and the garbage can model.

The main purpose of this paper is to understand the policy-making process for the enactment of the MRFTA by applying diverse policy models for governmental behavior. The application process seeks to investigate whether these models can be supported by the actual processes within the case. John Kemeny, however, stated that "the key to verification of theories is that you never verify them. What you do verify are logical consequences of the theory."(cited in Holt and Turner, 1970: 2)
Therefore, in order to verify the applicability of each model to our case, it is necessary to elaborate logical consequences of each model before we apply it. Two questions follow. First, for each model, what kinds of observation should be made in order to conclude whether a given set of logical consequences is actually conformed or not? Second, how can we determine the conformity? There seem no clear-cut and general answers for these two questions because the answers depend on each model we apply. In other words, each model differs in its rules of interpretation for observed facts and in its criteria for admissible explanation. Hence, in my research, when applying each model to the case, I will elaborate the rules of interpretation and criteria for admissible explanation as well as the logical consequences for each model.

Many students of public policy in Korea attributed the scarcity of research on the actual policy process of the Korean bureaucracy to the closed nature of the process, that is, to the access problem. Considering this complaint, I was in a very advantageous position to do my interviews. My work experience at the EPB prior to my graduate study in the United States not only facilitated the access to desired interviewees, but also helped me in understanding and interpreting the contexts of their answers to my questions.


1. The First Stage (1963–1971): Early Efforts

As stated earlier, the problem of economic concentration and unfair trade practices was first widely recognized by the “Samboon Padong” [The Three Powder Scandal] in 1963: a small number of large firms, which produced flour, sugar, and cement were charged with the cartelization of the quantities and prices of these items. On the one hand, the Korean government responded to this scandal by levying an excess profit tax on those firms. On the other hand, the government determined to take more fundamental measures against anticompetitive and unfair trade practices by large corporations. That is, the Price Division of the Planning Bureau in the EPB assumed the responsibility of drafting a comprehensive fair trade bill in September, 1963.

The EPB drafted the first Fair Trade Bill in September, 1964. The bill, however, met severe opposition from industrial groups, especially from the Federation of Korean Industries (FKI, a group composed of big corporations). The FKI questioned the necessity of the Fair Trade Bill, let alone the details of the bill. Their doubts reflected a national mood which favored rapid economic development more than anything else. Faced with strong opposition by industry groups, the first legislative attempt by the EPB could not even be an agenda for the State Council (Cabinet Council).
It took the EPB two more years in bringing the bill to the National Assembly of Korea. As the first “Five Year Economic Development Plan” (1962–1966) advanced, the Korean economy suffered from more price instability. Due to ever-increasing inflationary pressures mainly initiated by monopolized or oligopolized markets, the government began to realize both the limitations of direct price control and the need for more reliance on market mechanism. The EPB drafted the second Fair Trade Bill on May 6, 1966. Two responses followed the announcement of the draft (EPB, 1984: 12–14). First, the industry groups strongly objected on the ground that the draft violated the principle of the free market mechanism and of property rights which were guaranteed in the Constitution. A second response came from scholars, journalists, and lawyers. Even though they agreed on the necessity of the enactment, they criticized the EPB’s draft as unclear and ambiguous about the scope and the limit of application. The draft, they said, left too much discretion to an implementing agency.

In contrast to the lengthy debates during the drafting process, the Fair Trade Bill received a cold shoulder from the National Assembly. Because the EPB also advocated another important bill, the Foreign Capital Introduction Bill, the EPB itself did not show much zeal for the enactment of the Fair Trade Act. Therefore, the bill was automatically defeated by the expiration of the term of the sixth National Assembly (1963–1967). Although the EPB proposed the similar bills to the Assembly in 1967, 1969, and 1972, the bills underwent exactly the same process as the previous ones.

Up to now, we have investigated the EPB’s earlier attempts to pass antitrust and fair trade legislation during the 1960’s and early 1970’s. The conspicuous features of the process were that industry groups rigorously opposed such legislation and it was continually defeated within the National Assembly despite the repeated efforts of the EPB to pass it. Given the previous discussion, these features seem clear, yet they might mislead us to overestimate the political power of industry groups during the period. Behind industry’s domination of the policy process, there were more important factors which prevented the enactment of a comprehensive antitrust and fair trade act.

Let me first evaluate the political power of industry groups under Park’s regime. The growth strategies of Korea were government–led, outward–looking, and disequilibrium–oriented. After the military coup in 1961, Park argued for economic prosperity as a compensation for denying liberal democracy in Korea. Given poor natural resources, negligible domestic savings, and the small size of the domestic market, the government determined to take an outward–looking strategy. The government, as the ultimate guarantor, mobilized capital from abroad in various forms of commercial loans and of economic assistant funds from the United States. It allocated the funds to existing large corporations or newly established ones which seemed to guarantee maximum output for rapid
economic growth.

The government further protected the large firms by sizable preferential (policy) loans, by tax exemptions, and by protective tariffs and entry barriers. Given resultant dependence of business corporations on the government, it was unlikely that the industry groups had enough political power to oppose the will of the government. The industry groups might be powerful, but not powerful enough to divert any major economic policy which the government strongly favored. The prosperity or demise of large corporations rested entirely in the hands of the government. (Jones and Sakong, 1980, especially chapter 3)

Therefore, even though the strong objection of industry groups seemed to be important in prohibiting the enactment of an antitrust law, the effectiveness of their objection came not from their independent political power, but from other contextual variables under which their objection became powerful. The key policy makers' strong commitment to rapid economic growth and favorable public support for it constituted such variables.


Korea experienced a 44.6 percent oil price increase in 1971. Increased imports and decreased exports led Korea to effect a sizable devaluation of the Korean currency, which further jeopardized price stability. In response to this, the government enacted the Price Stabilization Act (PSA) on March 12, 1972. Despite the provisions of the PSA, Korea experienced further inflationary pressures, which forced the 1975 replacement of the PSA with a more comprehensive act, the Price Stabilization and Fair Trade Act (PSFTA).

A fundamental problem with the PSFTA was its dual characteristics. The act incorporated two mutually exclusive ideas—price stabilization policy and fair trade policy. This contradictory characteristic of the PSFTA resulted in a biased implementation of the act. That is, the implementation of the fair trade part was executed in a perfunctory way. The Fair Trade Division, which established on February 20, 1976 in the Bureau of Price Policy within he EPB to implement the fair trade part of the PSFTA, did not take any major measures against collusive arrangements; rather it legalized the cartelization of the cement industry with the reason that such action was necessary for recession recovery.

In sum, the idea of antitrust and fair trade policy was partly reflected in the two acts of the early 1970's, the PSA and the PSFTA, after a long gestation period in the 1960's. The implementation, however, had been quite unsatisfactory for the following two reasons: First, President Park, who became the actual economic decision maker within the government from the mid 1970's on (Chung, 1988), pushed very strongly for heavy and chemical industrialization as a justification of his prolonged authoritarian regime, which persistently favored
large corporations (the chaebol groups). Second, the EPB and other economic ministries cooperated very faithfully with President Park's accelerated industrialization plan, and this cooperation was compounded by the conformity of business community to that plan. Most of time, the implementation of the fair trade policy had been suppressed by the government—led heavy and chemical industrialization. The fair trade policy had been regarded more as a complement to economic strategies and less as a measure against market concentration and unfair trade practices.


The EPB’s efforts for the enactment of the MRFTA during the 1979–1980 period can be traced back prior to Park’s assassination—the establishment of the Task Force for Price Stabilization under the Deputy Minister of the EPB in February, 1979. As with previous cases, the need for a comprehensive antitrust and fair trade act was preceded by serious inflationary pressures. After Hyun–Whak Shin became the new Deputy Prime Minister (DPM) in December 1978, EPB’s policy priority was laid on anti-inflationary measures. Shin appointed Yang–Soon Lee, a director-general in the Budget Office in the EPB, as the head of the Task Force. Three director–level officials, Yun–Churl Jeon, Hang–Gyun Lee, and Hak–Sung Lee, joined the Task Force later.

The Task Force vigorously investigated price trends and the circulation of commodities in order to stabilize the price level, but it was not long before they realized that their anti-inflationary efforts had a clear limit. The Task Force reported its proposal to the DPM shortly. The report pointed out that the contradictory characteristics of the PSFTA had resulted in the lukewarm implementation of the fair trade parts of the act. The report therefore proposed the enactment of an independent antitrust and fair trade act—the Monopoly Regulation and Fair Trade Act (MRFTA). In July, 1979, the DPM responded to the proposal by making an organizational change in the EPB. The Task Force became a bureau, the Bureau of Fair Trade Policy (BFTP), within the Office of Price Management. The Office was therefore composed of two bureaus, the Bureau of Price Policy (BPP) and the BFTP, and each bureau had five and three divisions respectively. Director–general Yang–Soon Lee became the head of the BFTP, and Yun–Churl Jeon became the head director of the three divisions.

Although it received a favorable response from the DPM, the report could not go further toward the enactment of the MRFTA for two reasons. First, despite the approval of the DPM, the report could not draw enough support from bureaucrats. Within the EPB, the Bureau of Price Policy (BPP) strongly objected to the enactment. They argued that if existing direct price controls were to be lifted at once, the price level would be extremely unstable. The drafters of the report also expected a cold response from other economic ministries with sus-
tained clientele relationships with industries—the Ministry of Commerce and Industry (MCI) and the Ministry of Finance (MOF).

Second, and more importantly, the DPM, Hyun–Whak Shin was not ready to persuade President Park to support the enactment of the MRFTA. As we observed earlier, Park had pursued accelerated, government–led industrialization during the 1960's and 1970's. Even though changes in political and economic conditions made him phase down the industrialization process, he did not abandoned his objective for heavy and chemical industrialization. The DPM had difficulties in combining the president’s policy priority with his antitrust and fair trade ideas. In order to get presidential approval, he decided to open a public hearing to mobilize public supports. The public hearing, however, could not be held at that time because of the assassination. The death of the President brought out a temporary suspension of almost all governmental affairs.

The martial law declared on May 17, 1980, however, gave the elite military group of General Doo–Whan Chun enough political power to intervene in governmental decisions. In fact, through the Standing Committee of the Special Committee for National Security (SCNS), the group manipulated every important decision of the Martial Law Command, the cabinet, and the Blue House. The emergence of the new military leadership turned out to bring important momentum for the enactment of the MRFTA. Two reasons should be noted. First, the new leadership's political catchphrase, "justice, democracy, and welfare," made the group to be attentive to the idea of antitrust and fair trade. They needed a policy which could symbolized their difference from the old regime, a policy which could signal the legitimacy of their political power.

Second, the idea of antitrust and fair trade was strongly supported by the chairman of the Economic and Scientific Subcommittee of the SCNS, Jae–Ik Kim. He was the chief of the Economic Planning Bureau of the EPB before he joined the subcommittee. Jae–Ik Kim was more than a chairman of the economic subcommittee. He was a persuasive economics tutor to President Chun. Many of my interviewees pointed out his influence on President Chun’s economic reforms. Chun, as a former military general, could not understand the complex nature of economic affairs. He therefore depended heavily on the ideas of Jae–Ik Kim.

Strongly supported by the new military leadership and by Kim, the Bureau of Fair Trade Policy (BFTP) within the EPB reported the draft of the MRFTA to the DPM, on July 24, 1980. After a formal deliberation of the Economic and Scientific Subcommittee of the SCNS during August, 1980, the draft got the President's approval on September 8, 1980, one week after his inauguration.

After the President’s approval, the enactment process became accelerated without major opposition. Byung–Hyun Shin, the first DPM of Chun’s government, formally announced, on September 19, 1980, that the government would enact the MRFTA by the end of the year. The EPB began to contact other economic
ministries about the enactment of the MRFTA. One interesting observation was that, despite their previously strong opposition to the MRFTA, the ministries were no longer opposed to the enactment itself. They were willing to negotiate with the EPB about the details of the act, and tried to play a role in shaping the act when they realized that its enactment was inevitable.

The Ministry of Finance (MOF) argued that monetary institutions, most of which had oligopolistic market structures, should be excluded from the scope of the MRFTA because these institutions had been established and monitored by the government according to special acts. The Ministry of Commerce and Industry (MCI) asserted that the scope and the selection criteria of the "market-dominating entrepreneurs" should be fully specified in the MRFTA and that business mergers, aiming at the diversification of business risks, should be protected. During the negotiation process the arguments by the MOF and the MCI got favorable considerations and were incorporated into the draft (EPB, 1984:59).

After settling the debates within the government, the EPB started to draw opinions from other societal groups, including industry groups, the press, the academic community, and consumer groups. Every group, however, understood that the enactment of the MRFTA was a matter of time, because each group had noticed that it was impossible to go against the new military leadership. One of the participants most involved in the enactment process later questioned, "Who would dare to object to the group with the sword?" Through the negotiations with the societal groups the EPB revised the draft in order to include some opinions of the groups.8

The EPB proposed the revised draft to the Economic Ministers Conference (EMC) and to the State Council in November, 1980. The EPB finally proposed the bill to the Legislative Council for National Security (LCNS), a temporary legislative body, on December 11, 1980. The act was passed by the LCNS on December 23, 1980, and was promulgated as Law Number 3320 on December 31, 1980.

III. Three Theories of Regulatory Origin

This section will investigate three dominant theories of regulatory origins in order to explore the extent to which each model, has relevance in explaining the enactment process of antitrust and fair trade policies in Korea. After reviewing each model, I will outline a set of conditions which should logically exist for each model. Then, I will explore whether the set of logical consequences can be supported by the actual enactment process which I have examined in the previous section.

1. The Public Interest Model

The public interest model is based on the argument that government agencies
seek to maximize social welfare or the interests of the general public. This model has been more often assumed than articulated by a previous generation of economists and the present generation of lawyers (Bornbright, 1961; Friendly, 1962; Phillips, 1965; Stone, 1977). This model would explain the origin of the Korean antitrust system by a response of government agencies to the problems of economic concentration and unfairness in market transactions.

Given the public interest model, we can propose the following conditions which should have existed and which would then suggest that the model has relevance for explaining the process of enacting Korean antitrust and fair trade policies.

(a) The failure of enactment during the 1960's and 1970's was the result either of a lack of public interest in a comprehensive antitrust and fair trade act or of another more powerful public interest which worked against the enactment.

(b) During the political turbulence of 1979-1980 in Korea, there was a shift in public interest, and the enactment of the MRFTA was made possible by efforts of public officials motivated by the new public interest.

In the 1960's and early 1970's, the idea of economic development held by the general public and President Park had successfully prohibited the enactment of a comprehensive antitrust and fair trade act. Furthermore, the public interest model could also be supported by the legislative efforts of a few reform-minded EPB bureaucrats. Realizing the limits of direct price controls of the government and motivated by the problems of economic concentration and unfair trade practices, they pushed the idea of antitrust and fair trade. The role of bureaucrats in the policy-making process was most conspicuous during the 1979-1980 period. Many of my interviewees who participated closely in the enactment of the MRFTA pointed out the active role played by the bureaucrats in the Bureau of Fair Trade Policy (BFTP) within the EPB, including Director-General Yang-Soon Lee and Director Yun-Churl Jeon.

Despite several important points uncovered by the public interest model, the picture of policy process provided by the model is still incomplete. Several points should be noted. First, even though the public interest model could explain the legislative failure until the mid-1970's, it is difficult to argue that the unsatisfactory implementation of the fair trade part of the Price Stabilization Act (PSA) and the Price Stabilization and Fair Trade Act (PSFTA) resulted also from the public interest in rapid economic prosperity. It was President Park's strong commitment to the heavy and chemical industrialization and the faithful implementation by the career bureaucrats, not any public interest, which caused the problematic implementation of the two acts.

Second and more important, the public interest model cannot explain the dynamics of the policy process. That is, it is unreasonable to attribute the enactment
of the MRFTA only to a shift in public interest during 1979–1980. It also cannot
explain the decisive role of new military leadership in enacting the MRFTA.
Further, the public interest model has limits in answering the following important
questions: Why were the enactment processes initiated sporadically during the
1960's and 1970's? How could the reform-minded bureaucrats take advantage of
the political turbulence of 1979–1980 in Korea? Therefore, we may conclude that
the public interest model has been partly successful in explaining the enactment
failure of a comprehensive antitrust and fair trade act during the 1960's and
1970's, but it cannot explain the dynamics of the enactment process, and it thus
leaves many important questions unanswered.

2. The Capture Model

The capture model questions the validity of a key assumption of the public
interest model: government officials are selfless, altruistic individuals (Posner,
1974). Even though we could identify some distant seeds of the capture model in
early interest group literature by political scientists (Bentley, 1908; Truman,
1951), a more comprehensive and sophisticated form of the model was elaborated
mainly by economists of the Chicago School (Stigler, 1971; Posner, 1974; Peltz-
man, 1979).

The main contribution by the economists was that they reformulated the ex-
sting capture perspective of earlier political scientists and Marxists into a falsifi-
able hypothesis. Such a reformulation should be considered a very important step
in theory development. Stigler (1971: 2–3) argued that:

[A]s a rule, regulation is acquired by the industry and is designed, and operated
primarily for its benefits.... We propose the general hypothesis: every industry or
occupation that has enough political power to utilize the state will seek to control
entry.

Therefore, the capture model would explain the origin of the Korean antitrust
system through the efforts of interest groups which could be benefited from the
regulatory functions of antitrust system and which had enough political power to
influence policy-making processes within the Korean government. If the capture
model could explain the enactment process of antitrust and fair trade policies in
Korea, the following conjectures would be supported.

(a) The delay in the enactment of antitrust and fair trade act was due to the
objections of industry groups, composed of big corporations, which mobil-
ized their political power and utilized the state to bar the enactment.

(b) The consumer groups or industry groups composed of small firms played
important roles in the enactment process of the MRFTA.

It is quite obvious that the second conjecture can not get enough support from
the policy processes described in the previous section. Consumer groups and industry groups composed of small firms played a minimal role in the enactment of the MRPTA. It is not obvious, however, that the first condition should also be regarded as being contradicted by the actual policy process. The industry groups, especially the FKI (Federation of Korean Industries), objected persistently to the legislative attempts of the EPB during the 1960’s and 1970’s. Can we therefore attribute the legislative failure to the political power of these groups? This is an interesting question which needs further consideration.

Because the maintenance and the legitimacy of Park’s regime hinged on economic development (that is, on the success of business), the government should listen to the business community and frame economic policies that were in the best interests of business groups in general (Jones and Sakong, 1980). However, it seems to be unreasonable to conceptualize that the government served the interests of business because of the independent political power of industrial groups. That is, given the relationship between government and business in Korea described earlier, it is unreasonable to attribute the legislative failure entirely to the independent political power of industrial groups in Korea.

3. The Politics Model

The third model was proposed by Wilson. Wilson (1980: 357–362) started his arguments with two important insights: “there is a politics of regulation” and “politics differs from the economics.” His main arguments about the origin of regulatory agencies were that in order to explain the origin of regulation, “it is necessary to have a theory that helps us explain the kinds of coalitions likely to be formed and the arguments that will have to be made to create them.” (Wilson, 1980: 336)

He classified the origin of regulation into four submodels according to the distributional effects of regulation—the majoritarian politics (if both benefits and costs are widely distributed), the interest group politics (if both are narrowly concentrated), the client politics (if the benefits are concentrated, but the costs widely distributed), and the entrepreneurial politics (if the costs are concentrated, but the benefits widely distributed).

Wilson held an ambiguous position concerning whether the enactment of the Sherman Antitrust Act of 1890 should be classified as the entrepreneurial politics (Wilson, 1973: 335), or as the majoritarian politics (Wilson, 1980: 367). If we highlight, as characteristic of an antitrust act, its aim to regulate the behavior of large corporations trying to monopolize a market, we could classify the origin of the Sherman Act as the entrepreneurial politics, because the costs of the act should be borne by small segment of each industry (that is, large corporations), while the benefits of the act are widely distributed among general consumers and small corporations. However, if we underscore, as characteristic of an antitrust
act, its application across all the industries, we could regard it as majoritarian politics because no single industry is to be regulated, that is, costs as well as benefits are widely distributed.

I would like to argue, however, that neither model can successfully explain the enactment process of antitrust and fair trade policies in Korea. First, if the entrepreneurial politics model is to explain the enactment process, the following conjectures should be supported.

(a) The enactment process was initiated and pushed by a policy entrepreneur inside or outside the government. Therefore, the legislative failure could be attributed either to the non-existence of such policy entrepreneurs or to their lack of skill in political mobilization.

(b) The success of the enactment of the MRFTA in 1980 could be largely explained by the joint efforts of "outside" policy entrepreneurs and reform-minded "inside" public officials.

It is difficult to identify any outside policy entrepreneurs during the enactment process. The authoritarian regime prohibited the existence of outside policy entrepreneurs. There were many prominent political figures against Park's regime. However, because they were mainly concerned about the overthrow of the Yushin Constitution itself, few became rigorous advocates for substantive policies. The legislative failure during the 1960's and 1970's can be better explained by the government's biased policy priorities and perspectives toward rapid economic growth than by the non-existence of a policy entrepreneur. Also, the enactment of the MRFTA was more the outcome of interplay between the needs of new political leadership and the efforts of reform-minded bureaucrats within the EPB than the outcome of the joint efforts of an outside policy entrepreneur and public officials.

Next, if the majoritarian politics model is to explain the enactment process, the following conditions should be met:

(a) Because no single industry would bear the entire costs of regulation and because no small segment of society would get a disproportionate share of the benefits, there should be neither determined industry objections nor strong support by consumer groups.

(b) In order to attain an agenda status, the opinion of the elite should be that it was legitimate for the government to pass the law, and there should be popular sentiment among people that supported the passage of the MRFTA.

In contrast to the first condition of the model, the industry groups in Korea persistently opposed the enactment of an antitrust and fair trade act in Korea during the entire policy-making processes. Although the model anticipates an incremental and slow process of persuasion and diffusion of the idea of antitrust and fair trade among elite groups and general public, the MRFTA was passed by the efforts of a few reform-minded bureaucrats in the EPB, together with the
approval of the new political leadership without much help from other elite groups or the general public. The policy process in the previous section has showed that only a small segment of Korean society had actively participated in the enactment process of the MRFTA.

4. Conclusions

This section has investigated three dominant theories of regulatory origin in order to explore to what extent each model has relevance in explaining the enactment process of antitrust and fair trade policies in Korea. Except for some parts of the public interest theory, we noted that these three models have difficulties in explaining the policy process. In concluding this section I will examine the reasons for the unsuccessful application of the models to a Korean case.

More or less, the three theories of regulatory origin are the theories of interests—public or private. The capture model and the politics model try to explain regulatory origin according to conjectures concerning the rational reactions of private interests. What then may be a theoretical domain of these models? The two models presuppose a pluralistic society where diverse societal groups compete for political influence and where the equilibrium of the society could be changed by altering in the behavior of the groups.

Given their predetermined domain of application, it may not be surprising that these models can not get that much mileage in explaining policy phenomena in Korea, where, especially during Park’s regime, the power of society was concentrated in the hands of the government, and the government could make major decisions without much consideration of the reactions of private interests. In Korean politics, interest groups had been treated by the government as mobilizers of public support for already-determined government policies, not as agents representing the interests of their groups. Therefore, one possible answer for the unsuccessful application of the models may be that Korean society was not a good domain for the capture model and for the politics model.

IV. Four Models of Governmental Decision-Making

In this section, as an alternative set of hypotheses concerning the origins of regulation, I will explore four models of governmental decision-making—the rational actor model, the organizational process model, the governmental politics model, and the garbage can model. Presumably, there is some overlap between the preceding set of three theories of regulatory origin and the four models in this section. Strictly speaking, these two sets of models can not be regarded as competing or mutually exclusive.

Given these overlaps, I might need to justify for investigating the current set of four hypotheses. Two points provide that justifications. First, despite some overlap, the ideas of the organizational process model and the garbage can model
were not faithfully represented in the previous set of models. Second, the three theories of regulatory origin can be regarded more or less as special extensions in a regulatory context of more general perspectives, such as the four models in this section. Therefore, if we have concluded that the three models have limits in explaining the enactment of the MRFTA, efforts to investigate the broader perspectives from which those three models originated may be meaningful theoretically.

1. The Rational Actor Model

The rational actor model explains governmental events as more or less purposive acts of unified national government (Allison, 1971). Therefore, the rational actor model would explain the establishment of a regulatory agency by showing that the alternative, among others, actually guarantees the maximum payoffs to the government, given objectives and constraints. Also, the timing of the enactment could be further explained by a change in objectives, payoffs, and constraints.

If the rational actor model could explain the enactment of antitrust and fair trade policies in Korea, the following conjectures should be supported:

(a) The legislative failure during the 1960's and 1970's might be attributed to a deliberate, rational calculation of the government, given President Park's objective of rapid economic growth via accelerated heavy and chemical industrialization.

(b) The enactment of the MRFTA in 1980 may be ascribed mainly to the change in political leadership and its objective, and the enactment was a rational move of the changed leadership.

The first conjecture seems to gather enough support from the actual policy process outlined in the previous section. Because the legitimacy of Park's regime depended on economic prosperity, it was a rational response for him to prohibit the enactment of an antitrust and fair trade act, given his objective (rapid economic growth) and constraints (small-sized domestic market). For him, it was inevitable to sacrifice a certain degree of the welfare of domestic consumers and small firms, if Korea was to attain high economic growth within a short period, because economy of scale and international price competitiveness could be secured by encouraging business concentration in domestic market.

Despite the strong supports for the first conjecture, the model's explanatory power seems to be challenged if we move to the second one. That is, it is unreasonable to explain the enactment of the MRFTA according to the rational actor model. First, it is difficult to articulate any determined set of objectives of the new military leadership's (more specifically, General Chun's) economic policy-making. One might argue that Chun's objective was securing and maintaining the new political regime, and one might then try to explain the enactment
of the MRFTA as a rational outcome from his goal. No one would argue that General Chun had this objective. However, this formulation of the new political leader's objective can not save the rational actor model in explaining the enactment process of the MRFTA. The beauty or the explanatory power of the rational choice paradigm comes from its ability to explain a wide variety of complex facts in terms of a few relatively simple motivational assumptions (re-election, budget maximization, wealth maximization, Harsanyi, 1969). Therefore, if we assume a complicated, multidimensional motivation such as securing and maintaining the new political regime, and if we then try to explain the enactment of the MRFTA, we would deprive the rational actor model of any explanatory power.

Second, one alternative approach to a rational explanation of the enactment of the MRFTA is to infer a goal of the new military leadership's economic policy-making from the enactment, and to check whether the motivational assumption can be supported by other contemporaneous economic decision-making. From the enactment of the MRFTA, we could infer "fair market competition" as the economic goal of the new leadership. That is, they endorsed the idea of a fair market economy in contrast to the government-led, concentration-encouraging growth strategies under Park's regime. However, this conjecture could not be reconciled with other decisions of the Special Committee for National Security (SCNS). One example would be the committee's "industry reconstructing measures" in August, 1980. While implementing the measures, the SCNS attempted many anticompetitive measures, which are incompatible with the idea of fair trade competition.

2. The Organizational Process Model

The organizational process model considers government behavior less as deliberate choices and more as outputs of large organizations functioning according to standard operating procedures which are subject to learning in response to environmental change (Allison, 1971). Therefore, the model would explain the establishment of a regulatory agency by organizational routines instituted in the government prior to that instance. The policy-making process is affected by the learning process of government organizations, a process which follows on the interaction between existing organizational capabilities and environmental impacts.

The organizational process model explains an event when it has identified relevant governmental organizations and revealed the pattern of organizational behavior from which the action has emerged. Therefore, in order to explain the enactment process of antitrust and fair trade policies in Korea, the following conjectures should be supported.

(a) The drafts of fair trade bills were formulated by EPB's established organiza-
tional routines in response to environmental stimuli. Given the persistence of organizational routines, the drafts were modified incrementally. (b) Given the long period of legislative failure, the enactment of the MRFTA could be explained either by the change of existing organizational routines or by the institution of new organizational routines of newly established agencies.

Presumably, the first conjecture about the drafting processes of antitrust and fair trade policies seem to gather enough support from the actual enactment process. The drafting processes were initiated by scandalous events or unbearable inflationary pressures. The Price Division of the EPB formulated the Fair Trade Bill through an established problem-solving routine. Without enough knowledge about fair trade policy, the Division requested a research report from the Korea Economic Institution (KEI) in the Seoul National University. This kind of response has been a widely adopted organizational option of the EPB. Many "Five Year Economic Development Plans" were preceded by the so called "Expert Reports" made by professional groups both inside (e.g. Korea Development Institute) and outside (e.g. university professors) the government.

Further, the legislative efforts by the EPB during the whole enactment process showed quite patterned behavior: Triggered by environmental cues, the EPB drafted a new fair trade bill with minor revisions of preceding bills. The EPB then waited for responses by other economic ministries and other societal groups, including industry groups. If the EPB felt strong opposition from the groups or needed further justification for its legislative initiative, it opened public hearings in order to draw public support for the enactment. Interministerial conflicts were settled through higher governmental routines, the Economic Ministers' Consultation Meeting and the Economic Ministers' Conference, before the drafts were sent to the State Council and the National Assembly.

Despite its successful application to drafting procedures of comprehensive antitrust and fair policies within the government, the organizational process model finds it difficult to explain the enactment of the MRFTA in 1980. One would argue that an explanation may be found in changes in existing organizations' routines or in institution of new routines in newly established agencies. Between 1979 and 1980, two agencies, related to the enactment of the MRFTA, were established inside and outside the EPB, the Bureau of Fair Trade Policy (BFTP) and the Special Committee for National Security (SCNS). Could we then attribute the enactment of the MRFTA to the organizational routines of the two organizations?

As for the BFTP, because the personnel were mostly recruited from the existing EPB's man-power pool, it is quite unlikely that the BFTP had different organizational capabilities which enabled the institution of new routines different from existing EPB's organizational routines. The SCNS had a form of the com-
mittee system and was composed of military generals and career bureaucrats with different backgrounds from diverse ministries. The organization had existed only four months between May and September, 1980. Considering the heterogeneous personnel composition and the short life-cycle of the SCNS, it is also difficult to argue that it had any distinguishable organizational routines that may have led to the enactment of the MRFTA.

3. The Governmental Politics Model

The governmental politics model explains government behavior as the result of political bargaining among multiple political figures who act in terms of no consistent set of strategic objectives, but rather according to various conceptions of national, organizational, and personal goals (Allison, 1971). Therefore, this model would explain the enactment of the MRFTA either by the formation of new political coalition, or by the changes of goals, stake, and political stands of ongoing political actors.

The governmental politics model's explanatory power would be displayed if the following scenarios could be supported by the policy-making process for the enactment of antitrust and fair trade policies in Korea.

(a) During Park's regime, the legislative attempts had been continually disadvantaged because the dominant political coalition of President, military, and big business did not want the enactment of an antitrust and fair trade act in Korea.

(b) The opportunity to enact the MRFTA could be ascribed to the changes in the composition and political stands of the new, dominant political coalition. The enactment was enabled through political bargaining among the new, powerful political actors.

(c) The contents of the MRFTA represented compromise and negotiation among the dominant political actors. Each actor pulled and hauled with the power at his discretion for the favorable outcome of the MRFTA, according to his conception of national, organizational, and personal interests.

At first glance, the first conjecture seems to get strong support from actual policy-making process, or at least it seems not to be contradictory to what happened in Korea. However, the danger of this conceptualization is that of overestimating the other political actors' influence on the President's economic decision-making. We already have evaluated political power of industry groups and concluded their limited and indirect influence on the President's economic policy-making. Furthermore, President Park, even though his ultimate power base was the military, was known to be very cautious of the military's intervention into economic-policy making. Therefore, the legislative failure during the 1960's and 1970's is to be attributable less to the bargaining process within dominant political coalition and more to the President's strong desire for economic
development.

For the second condition, one might argue that the enactment opportunity came from the political bargaining between the new leadership and some reform-minded career bureaucrats. Even though the MRFTA owed much to the interplay of the two groups for its enactment, their interaction can hardly be described as political bargaining, and it would be more difficult to think of the two groups as the components of new, dominant political coalition. Among possible reform candidates, the new leadership approved some ideas for their symbolic and signalling value without bargaining or negotiations with other sectors in the Korean society. The approval process was unilateral and no pulls and hauls characterized the process.

The fact that political bargaining process came into existence after the MRFTA got Chun's formal approval seems to confirm the third scenario. As we observed in the second section, despite their firm and long-standing objections to the necessity of a comprehensive antitrust and fair trade act, the industry groups and other economic ministries became willing to negotiate with the EPB about the details of the future MRFTA. Once each group realized that the enactment of the MRFTA was imminent and that President Chun's approval could not be reversed, they began to contact the EPB in order to have their voices included in the final version of the draft. In fact, the contents of the MRFTA were revised significantly during the process of negotiation.

4. The Garbage Can Model

Cohen, March, and Olsen (1972) proposed a perspective on organizational decision making in an organized anarchy situation (problematic preferences, unclear technology, and fluid participation). In most theories of action, things are ordered by their consequential (cause and effect) connections. However, the central idea of the garbage can model is the substitution of a temporal order for a consequential connection. In its pure form, the garbage can model assumes that problems, solutions, decision makers, and choice opportunities are independent, exogenous streams following through a system. As Cohen, et al. argued (1972:2), this kind of organization “is a collection of choices looking for problems, issues and feelings looking for issues to which they might be the answer, and decision makers looking for work.”

The four independent streams are linked in a manner determined by their arrival and departure times and any structural constraints on the access of problems (access structure), solutions, and decision makers (decision structure) to choice opportunities. In the absence of structural constraints, within a garbage can process solutions are linked to problems, and decision makers to choices, primarily by their simultaneity.

Kingdon (1984) modified and extended the garbage can model in order to
explain establishing and changing agenda in the United States federal government. Among many important revisions of the model, two things should be noted. First, in addition to the problem stream and the policy (solution) stream of the original formulation of the model, he added the political stream, in which he included “things like swings of national mood, vagaries of public opinion, election results, changes of administration, shifts in partisan or ideological distributions in Congress, and interest group pressure campaigns” (Kingdon, 1984: 93). Second, he emphasized that even though these three streams generally work independently of each other as the original model expects, the streams are not absolutely independent: that is, the three streams can operate either as an impetus to or as a constraint on each other.

The following conjectures need to be supported if we are to explain legislative history of comprehensive antitrust and fair trade policies in Korea through the garbage can model.

(a) The legislative failure resulted either from the non-existence of a choice opportunity or from the political stream’s constraints on other processes—the problem and policy (solution) streams. The political stream’s constraints came from the national mood or public sentiment favoring rapid economic prosperity.

(b) The enactment opportunity occurred in the summer of 1980 mainly because of the opening of a choice opportunity in the Korean government. The opening was caused more by the emergence of new political leadership and less by the deteriorated problems of economic concentration or unfair trade practices. The enactment could be attributed mainly to the temporal joining of the three independent streams and less to the consequential matching between a problem and its solution.

A fundamental problem in explaining the legislative failure by the garbage can model arises from a consideration of whether the governmental decision-making under the Yushin regime could be a suitable empirical domain for the garbage can model. The model presupposes three conditions: problematic preference, unclear technology, and fluid participation. Under an authoritarian regime, the two conditions except the unclear technology become difficult to be confirmed. An authoritarian regime usually has a strict, centralized access structure for important decisions, and a handful of political figures monopolizes almost all decision-making power. Also, government’s behavior is supposed to represent the desires of the main political leadership. As political participation becomes limited and as the value system of the society becomes monolithic, the preferences of decision-makers would become simpler and less ambiguous.

However, the assassination of Park changed the situation drastically. The absence of strong political leadership made the policy environment extremely uncertain. Preceding policy-making routines and channels were no longer sustained. The centralized access structure was modified into a more or less unstructured
one. Moreover, there was no articulate set of policy objectives to replace those of President Park. President Choi's power was a merely formal one, representing his shallow power base. Among career bureaucrats, even though many previously suppressed ideas were proposed, it was extremely difficult for them to agree on what they should and could do.

The situation after Park's death seemed to be very close to the premise of the garbage can model—organized anarchy. However, there was no major governmental economic decision-making during the period of October, 1979 and April, 1980 because of the absence of a choice opportunity. The emergence of a choice opportunity in 1980 had a clear relationship with the emergence of new political leadership. After the "extraordinary" martial law of May 17, 1980, the new military elite group began to grasp political power. Even though they seized political power by force, their power base was too narrow to get popular support for their new political regime. Within a short period (May, 1980–August, 1980), they were obliged to show off their capacity for effective governance, the legitimacy of their regime, and their good will toward the public. They determined to implement swift and wide reform measures through the establishment of the Special Committee for National Security (SCNS).

The broad and ambiguous incentives of the new military leadership made policy-making in the SCNS more or less a garbage can process. Even though they had enough political power and the willingness to pursue any drastic measures, they had only a vague idea about the admissible contents of the reforms. Their concern lay not in solving any concrete problems, but in signalling their capability, good will, and legitimacy to the public. In this context, the idea of antitrust and fair trade was proposed. The idea suddenly received favorable attention by the SCNS, not because of any unexpected aggravation of the problems of economic concentration and unfair trade practices at that time, but because of its symbolic and signalling value. Therefore, the enactment of the MRFTA can be attributed to the temporal coupling of the emergence of new political leadership (the political stream) and the EPB's long-standing antitrust and fair trade idea (the policy stream) within a new choice opportunity.

V. Conclusions

As alternative perspectives to the three dominant models of regulatory origin—the public interest model, the capture model, and the politics model—we have examined the four more comprehensive models of governmental behavior—the rational actor model, the organizational process model, the governmental politics model, and the garbage can model. As concluding remarks, we will evaluate the comparative advantages of each model.

First of all, we should understand each model explains a different aspect of an
event. In other words, when adopting different models, we use different dependent variables (different aspects of an event) as well as different independent variables (different determinants of an event). That is, the discourses of the four models are apparently incompatible. For example, the rational actor model tries to explain the strategic choice aspect of an event by identifying plausible objectives, constraints, and alternatives of a unified, rational actor, while the organizational process model and the governmental politics model are concerned more about details of the organizational and political processes respectively. Therefore, it is always possible that one model accepts certain points that the others find to be inaccurate and that one model overlooks certain pieces of information that the others notice. This evaluation of the models compels us to conclude that we cannot evaluate these models with an arbitrary, unidimensional criterion.

No single model dominates the whole process. That each model explains part of the process while ignoring other parts means that each model has its own comparative advantages and disadvantages over the others. The rational actor model explains quite nicely the legislative failure during the 1960's and 1970's. The organizational process model has comparative advantages in explaining the drafting processes of the EPB's fair trade bills and the MRFTA. The governmental politics model is superior in explaining the negotiation processes among the EPB, other economic ministries, and industry groups after Chun's approval in September, 1980. Finally, the garbage can model is very useful in understanding why the MRFTA could be enacted at that specific time.

Notes

1) This paper is adapted and modified from several sections of the author's Ph. D. dissertation. The thesis investigates the enactment process of the Monopoly Regulation and Fair Trade Act and the subsequent implementation of the act by the EPB. Especially, the thesis tries to establish a connection between the two processes by investigating how conspicuous features of the policy-making process have influenced the subsequent implementation process. For details, see Jongwon Choi, "Policy-Making and Policy Implementation: The Origin and the Behavior of the Antitrust System in Korea," University of Michigan, 1989.

2) There are two dimensions to the problem of economic concentration: industrial (market) concentration and business (wealth or overall) concentration. The former denotes the market share of a given number of enterprises in a particular market, while the latter implies the share of a given number of affiliated enterprises in all markets. For detailed discussion, see Jones and Sankong, 1980.

3) A few scholars, however, have paid limited attention to the enactment of the MRFTA. See Byung-Taik Cho, 1981.

4) See footnote 10.

5) In his other expression, he called the "failure complex" the "fracasomania." See Hirschman, 1975: 394–396.


8) For example, the Federation of Korean Industries (FKI, a group composed of large corporations) asserted that some anticompetitive business mergers and cartelization should be permitted if they would aim at improving international competitiveness, ordering industries in a rational fashion, and surmounting depressed markets. Consequently, some parts of their view were incorporated into the revised draft.

9) For the lack of a proper title of the model, I have termed it as the politics model.

10) During the implementation of the measures, the SCNS forced two large corporations, Hyundai Yanghaeng and Daewoo, to merge, and allowed the resulting merged corporation, the Korea Heavy Industries and Construction Company (KHICC), to monopolize the supply of power-generating equipment and heavy construction equipment.

11) The scope of organizational routines includes constant dispositions and strategic heuristics for non-routine problems as well as programmed activities for repeated organizational tasks. See Nelson and Winter, 1982.

References


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