

# **Bipartisanship in a Unified Government: Politics of Taxation and Corporate Governance in Korea**

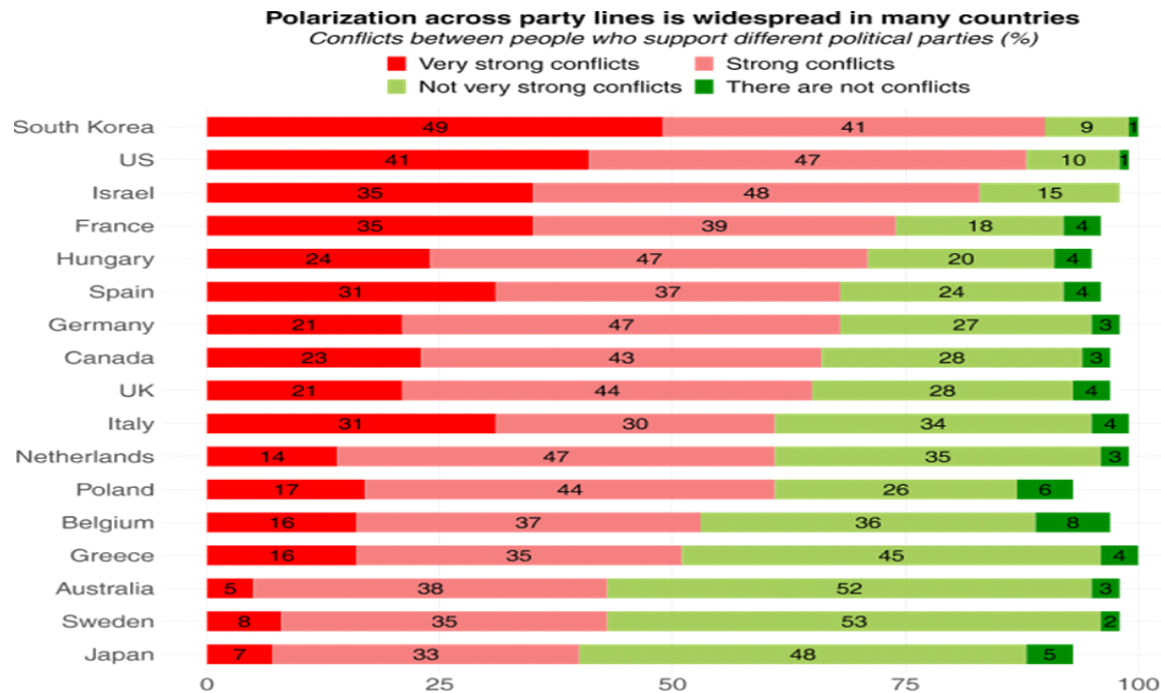
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# Political Polarization and Inter-Party Relations

- Political polarization deepens partisan conflict in the legislature.
- Strong party discipline in Korea amplifies the effects of polarization
- Controversial bills are significantly affected by partisan conflicts, whereas noncontroversial bills are often passed through bipartisan agreement (Eom and Moon 2023)
- H: Legislative agendas on redistribution are more likely to be passed through inter-party compromise.
- Example: Competing parties may compromise by intensifying the burden but narrowing its scope.

# Political Polarization in Korea

## Public Perception on the polarization across party lines

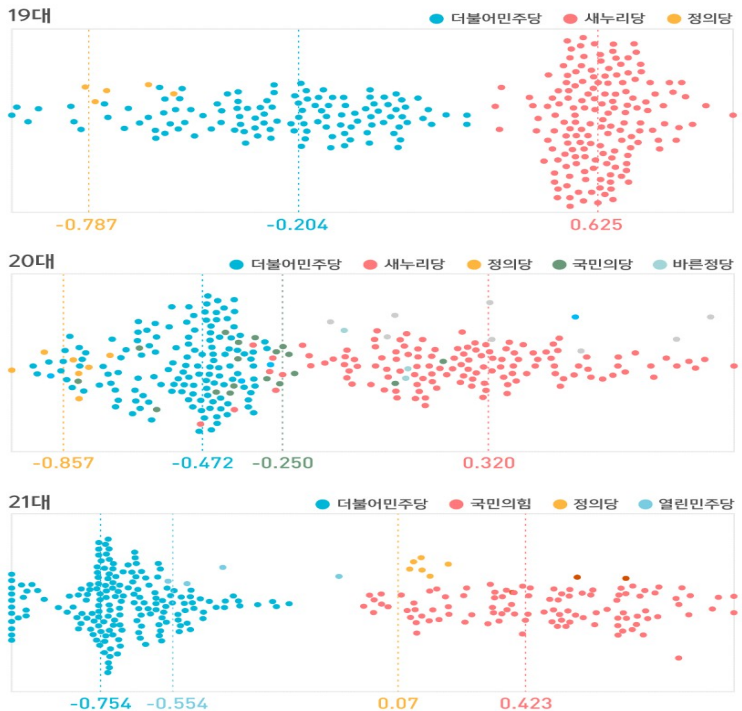


Pew Research Center 2022.  
Global Attitudes Survey.

# Political Polarization in Korea

## 19-21대 국회 이념 성향 분석

출처 : 의안정보시스템 (12.05.30 - 20.05.15)



W-nominate score, voting records in the National Assembly.

# Political Polarization and the Presidential System

- Unified Government: Often results in an “imperial presidency” where the president and ruling party unilaterally control politics, prompting walkouts by the opposition.
- Divided government: Typically leads to gridlock, with the president facing opposition from a legislative majority and frequent use of vetoes.
- However, even among controversial bills, there is evidence of compromise when analyzing the legislative process behind major agendas.

# Political Polarization and Redistributive Politics

- Redistributive issues in Korea include corporate and real estate taxation, and corporate governance laws applied to conglomerates.
- Despite polarization, redistributive bills are more likely to reach inter-party compromise.
- This hypothesis is supported by findings from 21st National Assembly (2020-2024).

# Why Major Legislation?

- Previous studies categorized the controversial bills on voting records (Eom and Moon 2023, Jeon 2011).
- In the 21<sup>st</sup> National Assembly, 25,858 bills were proposed and 9,063 were passed (Park 2024).
- Most studies focus solely on legislative outcomes.
- We categorized bills based on significance and content, identifying major agendas following Meyhew's (2005) approach.
- Focusing on major legislation allows for analysis both inter-party conflict and cooperation during the legislative process.

# Selection of Major Legislative Agendas

- We selected major legislative items based on editorial coverage in major national newspapers.
- *Chosun-Ilbo* (conservative) and *Kyunghyang Shinmoon* (liberal) were analyzed.
- Editorials containing the term “*legislation*” were sorted and reviewed.
- Time period: 2020-2024 (pilot study)
  - 2020-2022: Unified government
  - 2022-2024: Divided government



Rank	Legislative Agenda	Frequency		
		Sum	Chosun (conservative)	Kyunghyang (liberal)
1	Revision of Investigative Authority (Police and the Prosecutions)	35	26	9
2	Serious Accidnets Punishment Act	24	6	18
3	Punitive damages agains t media for defamation	23	18	5
4	Electoral laws	21	9	12
5	Special Prosecutors on the Ms. Kim Geonhee’s stock price manipulation	19	7	12
6	Grain Management Act	18	13	5
7	‘Yellow Envelop Act’(Union Strike Liability Exemption)	17	8	9
8	Special Prosecutors on the incidence of Corporal Chae Incident	15	3	12
9	Semi-conductor Tax Credits and Subsidies	14	14	0
	Taxation on Real Estates	14	5	9
13	Laws on ‘Fair and Just Economy’	12	6	6
14	Corporate Taxation	10	9	1
	Housing Lease Protection Act	10	8	2

Legislative Agenda	Outcome	Note
Revision of Investigative Authority (Police and the Prosecutions)	Yay	Opposition Walkout
Serious Accidnets Punishment Act	Yay	Bipartisan compromise
Punitive damages agains t media for defamation	Nay	Withdrawal by majority
Electoral laws	Nay	Discarded by expiration
Special Prosecutors on the Ms. Kim Geonhee’s stock price manipulation	Nay	Presidential Veto
Grain Management Act	Nay	Presidential Veto
‘Yellow Envelop Act’(Union Strike Liability Exemption)	Nay	Presidential Veto
Special Prosecutors on the incidence of Corporal Chae Incident	Nay	Presidential Veto
Semi-conductor Tax Credits and Subsidies	Yay	Bipartisan compromise
Taxation on Real Estates	Yay	Opposition Walkout(2020)
	Yay	Bipartisan compromise(2022)
Corporate Taxation	Yay	Bipartisan compromise
Housing Lease Protection Act	Yay	Bipartisan compromise

# Politics of Redistribution and Major Legislation

- **8 out of 13 major legislative agendas related to redistribution:**
  - Serious Accidents Punishment Act, Yellow Envelop Act, Grain Management Act, Laws on supporting Semi-conductor Industry, Taxation on real estates, Laws on ‘fair and just economy’, Taxation on corporation, Housing Lease Protection Act.
- **5 of these 8 were passed through bipartisan compromise**
  - Serious Accidents Punishment Act, Laws on supporting Semi-conductor Industry, Taxation on real-estate(2022), Laws on ‘fair and just economy’, Taxation on corporation
- **None of the major non-redistributive bills passed with bipartisan compromise.**

## Case: Real-Estate Taxation

- Taxation of high-value housing has been contentious since 2000s
- Progressive governments framed these taxes (property and transfer) as tools to curb price hikes and penalize speculation.
  - Their argument: the tax affects only a small, wealthy segment.
- Conservatives argue that such taxation distorts the housing market.

## Case: Real-Estate Taxation

- In 2020, President Moon's administration (progressive) unilaterally passed laws increasing the burden on multi-homeowners.
- By 2021, as election approached, even the Democratic Party (progressive) supported raising exemption threshold.
- Post-election, the progressive majority agreed to further reduce the tax burden, showing bipartisan alignment.

# Case: Corporate Taxation

- President Moon sought to “tax the rich” by raising the top corporate tax from 22% to 25%.
- The conservative minority strongly opposed the proposal.
- A bipartisan compromise was reached: the rate was raised, but so was the threshold where it applied-limiting the scope of affected firms.
- “Coalition of tax cut” dynamics
  - Progressives: supported higher rates.
  - Conservatives: agreed to higher rates in exchange for raising thresholds (protecting more businesses).
  - In return, progressives supported tax cuts for small- and medium-sized enterprises.

## Case: Laws on the 'Fair and Just Economy'

- Aimed to Protect minority shareholders, prevent abuse of market dominance by conglomerates, improve corporate governance transparency.
- Conservatives initially strongly opposed, citing burdensome regulation and efficiency concerns.
- After a major electoral defeat in 2020 (180 seats vs. 103), conservative party leadership shifted toward the center and chose compromise as a party rebuilding strategy.

## Case: Serious Accidents Punishment Act

- Labor unions had long advocated for this law to reduce industrial accidents by punishing negligent managers.
- Conservatives, aligned with business interests, strongly opposed the bill.
- Compromise: apply the law to workplaces with over 50 employees for the first two years.
- This was another post-election concession by conservatives following their 2020 loss, similar to their stance shift on the Fair and Just Economy Laws.



# Conclusion

- Unified governments passed more major laws than divided ones.
- However, many laws passed unilaterally – such as the *Investigative Authority Reform* and *2020 Real Estate Taxation* – were later revised or neutralized by executive actions.
- Redistributive legislation is more likely to be passed through inter-party compromise.
- Laws passed via compromise – like the *Serious Accidents Punishment Act* and ‘*Fair and Just Economy*’ Laws – remained stable even after subsequent elections.
- Exception: *Housing Lease Protection Act* also remained intact despite being passed unilaterally.