Pathways to Citizen Participation: Participatory Budgeting Policy Choice by Local Governments

Skip Krueger*, HyungGun Park†
* University of North Texas, USA
† Sungkyunkwan University, South Korea

The existing literature on participatory budgeting – as one means of citizen participation in local governance – tends to focus on how to stimulate citizen participation in the budget process, and primarily aims to descriptively explain the magnitude of participation or the adoption of specific policy approaches. We investigate participatory budgeting from an institutional perspective and empirically evaluate the choices that local governments make in adopting a specific set of rules for including citizens in the budget process. We suggest that the choice of the type of participatory budgeting policy is predicated on the partisanship of policymakers, the administrative capacity of local government, and citizen’s experience with other forms of direct democracy. To test these hypotheses, we collect information on 224 local governments in South Korea from 2004 to 2013. For each city, we identify the type of participatory budgeting policy they adopt and evaluate that choice in an empirical model. The results provide evidence that the partisanship of local policymakers and the administrative capacity of the local government are associated with different choices about the inclusion of citizens in the budget process.

INTRODUCTION

Citizen participation in governance beyond the voting booth has long been discussed as an important mechanism for democratic accountability. However, it has seldom been adopted as official local government policy and has undergone even less analysis.

Since the 1990s, however, pockets of policy innovation regarding citizen participation in local government budget processes have begun to appear around the world, allowing citizens a variety of levels and mechanisms for direct impacting spending and revenue choices. These policies – frequently identified as participatory budgeting policies – specify the mechanisms by which citizens can provide input on local government budgets and influence budget choices. The value of such policies is typically considered process-oriented – suggesting that a more inclusive process is more just – and results-oriented – suggesting that decisions made during a more inclusive budget process will allocate resources more consistent with the preferences of all citizens.

Much of the research has focused on the degree to which such policies can affect citizen participation, and the degree or level of that participation. Additionally, some studies have begun to delve into the specific differences in participatory budgeting policies. We are particularly interested in this second consideration.

Participatory budgeting policies are gaining increased attention by scholars, but few quantitative studies have been completed. Even fewer have focused on the choices local governments make about the policies they implement. We suggest that one cannot understand the implications of participatory budgeting policies without a proper understanding of how those policies were designed and adopted. Most critically for this paper, we note that the actors in the budget process – from elected representatives to public managers and citizens – are not just budget-process participants, but also the designers of the PB policies.

Thus, we propose in this paper a model of policy choice that primarily focuses on the preferences of the actors engaged in the budget process. The actors have expectations regarding citizen participation because
more or less inclusiveness, and the means by which it is achieved, have implications for the distribution of benefits derived from budget choices.

Specifically, we suggest that combinations of participatory budgeting policies function as an aggregate single policy and that any particular combination of policies represents an overall policy choice by local governments. The different combinations have differential effects on budget processes and outcomes, and since actors have preferences over budgetary outcomes, they must also have preferences over the policy rules that impact those outcomes.

We test a set of hypotheses derived from this idea in the context of a model adapted from the existing literature that explains the adoption of participatory budgeting policies in cities in South Korea between 2004 and 2013. In general, we find support for our hypotheses, but we also identify several aspects of PB policy adoption that need further investigation.

**LITERATURE REVIEW**

The factors that facilitate or impede citizen participation in the policy process have long been an important concern to researchers. Studies suggest that citizen participation is dependent upon, among other things, the resources citizens have in time and money to be able to participate (Berner & Smith, 2004; Brady, Verba, & Schlozman, 1995; Yang & Callahan, 2007), the size of the jurisdiction (Yang & Callahan, 2005; Wampler, 2007), the form of government (Yang & Callahan, 2005), rules about participation (Fung, 2006; Fung & Wright, 2001), and support for participation from other governmental and non-governmental actors (Allegretti & Herzberg, 2004; Lowndes, Pratchett, & Stoker, 2001).

The factors associated with general citizen participation also are potentially relevant to participation in the budget process. Citizen participation in the budget process – often referred to as participatory budgeting (PB) – can be considered on at least two dimensions: the amount of citizen participation (viewed as the number of citizens or as the number of government-citizen interactions) and the number or types of mechanisms utilized by citizens to participate in the budget process.

The budget process is the typical means by which governments – in this case, local governments – make choices about the policies they will spend money on, and the means by which they will extract resources from the local economy to fund that spending.

There are two issues particular to participatory budgeting that differentiate participation in the budget context from participation in other aspects of public policy. First, citizen participation and its impact on budgetary outcomes may be constrained because the budget process requires expertise and professional knowledge (Berner, Amos, & Morse, 2011; Kweit & Kweit, 1981). Second and conversely, citizens – as taxpayers and as beneficiaries of public services – are sensitive to and knowledgeable about the impact of budget choice outcomes (Franklin, Ho, & Ebdon, 2009; Zhang & Liao, 2011).

Sensitivity to outcomes forms at least part of the basis for normative arguments for the inclusion of citizens in budgeting processes. PB policies are thought to overcome lower representation of minority and low-income groups by shifting budget decision authority from political elites to the vulnerable and poor (Abers, 1996; Gonçalves, 2014; Wampler, 2004). For example, evidence suggests that lower average income and ethnic diversity in a community tend to lead to greater levels of citizen participation in budget decisions (Ebdon & Franklin, 2006; Marlowe & Portillo, 2006; Zhang & Liao, 2011).

Citizen participation in budgeting is linked to broader concerns about representativeness (Robbins, Simonsen, & Shepard, 2009). For example, incorporating citizens in budgeting may lead to higher levels of general participation and engagement in local politics (Kelleher & Lowery, 2004; Yang & Callahan, 2005). PB is thought to enhance distributive justice, safeguard minority representation, and redistribute public resources (de Sousa Santos, 1998; Souza, 2001). PB also may increase citizen understanding of local governments’ capacity (Boulding & Wampler, 2010; Fung & Wright, 2001). Ebdo and Franklin
(2006) suggest that possible corollaries of PB adoption include better informed and educated citizens, as well as enhanced levels of trust in government and sense of community. de Sousa Santos (1998) demonstrates that PB facilitates networks and shared political power through deliberation, consensus, and negotiation.

One body of PB studies focuses on the volume or magnitude of citizen participation. Some studies measure magnitude as it is perceived by political representatives and public managers (Marlowe & Portillo, 2006; Liao & Zhang, 2012; Zhang & Yang, 2009), while others measure participation as the attendance rates or the number of proposals (Hong, 2015). For example, Hong (2015) shows that the inclusiveness of a community decreases participation levels in the budget process, but citizen knowledge has no effect. Zhang and Yang (2009) focus on the professional aspects of local managers and their political circumstances. And Liao and Zhang (2012) find that the number of interactive mechanisms increases participation.

Other studies focus on factors that lead to PB policy adoption. For example, the council-manager form of government tends to be less associated with the adoption of PB policies (Yang & Callahan, 2007; Zhang & Yang, 2009), and community diversity appears to have mixed effects on PB adoption. On the one hand, population heterogeneity results in political conflict, thereby utilizing PB to solve the conflict (Marlowe & Portillo, 2006). On the other hand, more homogenous communities have stronger consensus to demand their representatives to adopt the PB through which citizens can signal their preferences more precisely (Zhang & Liao, 2011). Elected local officials’ attitudes about the cost of participation and city manager’s perception of citizen interest increase the likelihood of PB adoption, while a city manager’s perception of participation cost decreases the likelihood (Zhang & Liao, 2011). Also, city managers’ Master of Public Administration degrees and professional networks that stress the greater role of citizen participation are documented to have positive effects on PB adoption (Kweit & Kweit, 1981; Zhang & Yang, 2009). Some studies focus on the barriers to citizen participation in the budget process. The barriers include lack of knowledge of public finance and legal process, lack of trust, inconsistent information disclosure from government, and limited local capacity (Berman, 1997; Brady, Verba, & Schlozman, 1995; Kasymova, 2017).

Policy innovation and diffusion frameworks also have been utilized to explore the determinants of PB policy adoption. There are, for example, a few studies from South Korea that explore the linkage between PB policy adoption (as a nominal outcome) and a variety of factors, including the progressiveness of policymakers, divided government, neighboring governments’ adoption status, and size of the jurisdiction (Choi, 2010; Kang, 2011; Lee & Kim, 2011).

Others focus on the number of, types, and combinations of PB mechanisms adopted (Zhang & Liao, 2011). Zhang and Liao (2011), for example, demonstrate that a mayor’s attitude toward public involvement, perceptions of citizen interest, the manager’s administrative authority, and heterogeneity of representatives are positively associated with the number of mechanisms, while the manager’s perception of the cost of citizen participation has a negative relationship.

Also focused on PB mechanisms, Yoon and Lim (2016) identify common combinations of PB policy utilized by municipal governments in South Korea. They distinguish PB policy types based on Arnstein’s ‘Ladder of Participation’ (1969), which vary by the extent that citizens are empowered in the PB process. For example, some rules provide more authority, such as citizen-initiated budget proposals or authorization to vote on public resource allocation. Other rules identify mechanisms for group participation, such as citizen councils and committees that may provide oversight, input, and advice, or actual decision points. They show that municipalities in South Korea adopted five basic combinations of PB policies, despite a plethora of policy options upon which to rely.

Their approach is consistent with research that identifies specific PB mechanisms, including citizen advisory committees (Callahan, 2002), public hearings (Berner
citizen surveys (Duncomb, Robbins, & Stonecash, 2003; Watson, Juster, & Johnson, 1991), citizen focus group discussions (Robbins, Simonsen and Shepard, 2009), informing and reflecting citizen opinions (Rowe & Frewer, 2005), and interactive dialogue and negotiation (Marlowe and Portillo, 2006; Rowe & Frewer, 2005; Zhang & Liao, 2011). PB mechanisms often operate simultaneously and costlier mechanisms may be less frequently adopted (Berner & Smith, 2004).

Important questions remain regarding PB policy. For example, distinguishing the difference between actual participation and adopted rules that allow, promote or prohibit participation in the budget process is one aspect of the scholarship that could be further developed (Fung, 2006; Thomas, 1995). While we have examples of types of PB policies, we have little in the way of empirical work that explores the choice of types adopted by local governments. The contribution of this study is to help solve part of that gap in our understanding by evaluating why local governments choose one type of PB policy over another.

THEORY AND HYPOTHESES

We focus in this paper on why governments choose to adopt specific sets of attributes of PB policy that facilitate citizen participation in the budget process. We focus specifically on cities in the South Korean context.

Following Yoon and Lim (2016), we identify five unique combinations of PB policy choices that have been adopted by local governments in South Korea, and we suggest a framework for understanding why governments choose one combination over another. We conceptualize the unique combinations of attributes as alternative institutional arrangements or set of rules (see Crawford & Ostrom, 2005, and Ostrom, 2007). In this context, an institutional arrangement is a set of rules that, taken together, create an overall policy choice.

As discussed above, local governments can choose PB policies from a variety of options. But at least in the South Korean case, cities have tended to adopt one of five PB policy combinations (Yoon and Lim, 2016). We suggest that cities choose one of these five PB institutional arrangements over another based on advantages being sought by various actors in the budget process. Budgets are, among other things, records of whose policy preferences should prevail (Wildavsky, 1964). Because of this, actors in the policy process have preferences over the rules that lead to the adoption of budgets (Ostrom, 2007).

While one might conceive of any number of ways to investigate the preferences of various actors in the local budget process and their impact on PB policy choice, the focus of this paper is on the PB preferences of elected officials, employees of the local governments, and citizens.

First, we suggest that the political ideology of elected officials impacts the type of PB policy chosen by a local government. Some literature suggests that inclusiveness is an ideological policy choice because those who are typically excluded from budget-making activities are poor and minority members of the community (Baiocchi, 2001; Baiocchi & Ganuza, 2014; Wampler, 2000). PB options that broaden and deepen inclusiveness allow for enfranchising those who typically support progressive issues. Thus, elected officials who are more progressive should prefer institutional arrangements that are more inclusive.

Hypothesis 1a: Cities with progressive mayors adopt participatory budgeting policies that require higher levels of citizen involvement.

Hypothesis 1b: Cities with more progressive city councils adopt participatory budgeting policies that require higher levels of citizen involvement.

Second, we suggest that public employees also have preferences over the amount of citizen participation in the budget process. There is a professional norm that promotes inclusiveness, especially for such typically disenfranchised groups as ethnic minorities and the poor (Denhardt & Denhardt, 2000). Thus, it is expected that more professionally run cities would adopt PB
policies that foster participation at higher rates.

However, appointed public employees may be less attentive to citizen preference because the employees do not directly benefit from election. However, public employees may be less attentive to citizen preference than their elected counterparts, who have electoral incentives to better comply with citizen preferences. Also, citizens’ preference may be opposed by the employees, as administratively inefficient (Kweit & Kweit, 1981).

More importantly, it has long been proposed that public employees gain most professionally when the organizations they work for expand significantly under their watch (Brennan & Buchanan, 1980; Niskanen, 1975). In this sense, growth may be perceived as the key performance measure of an organization, and strong growth is attributed to the efforts of the employees of that organization. For cities, that might translate to a protectionist attitude by staff toward citizen participation, either because of perceptions that citizen involvement might reduce spending or because they fear that citizen volunteerism may translate into free labor in the budget process and result in less required staff resources.

Hypothesis 2: Cities with higher levels of administrative capacity adopt participatory budgeting policies that require lower levels of citizen involvement.

Third, in many cases, citizens already have a direct voice in the city government, and the question is how that established involvement might impact a city’s choice of PB policy. For example, direct democracy – through initiatives, referendums, and recalls – is believed to better align policy choices with citizen preferences, and existing studies suggest that participation in ballot measures changes citizen behavior and attitude toward their participation (Bowler, Donovan, & Tolbert, 1998). For example, some studies find that direct democracy increases voter turnout (Schlozman & Yohai, 2008; Tolbert, McNeal, & Smith, 2003; Tolbert, Grummel, & Smith, 2001). This may be interpreted to suggest that higher levels of one kind of direct participation tend to lead to higher levels of other kinds of citizen involvement.

However, other studies suggest that this might not be the case. One might expect that one institutional arrangement for citizen participation may be substituted by another. The participatory institutions differ in detail by the degrees of citizen empowerment and inclusiveness, but the institutions are similar in nature as they are designed to complement representative democracy (Fung, 2006). Like other participatory institutions, PB reflects citizens’ preference directly into the local budget process, which is ordinarily determined by the local council and implemented by bureaucrats. When multiplesimilar participatory institutions are available, citizens experience “voter fatigue” where citizens spend finite resources for issues dealt in many participatory arenas redundantly. The experience of direct democracy satisfies citizen demand in advance so that PBs associated with a greater level of citizen involvement become unnecessary.

Hypothesis 3: Cities with higher levels of existing direct democracy adopt participatory budgeting policies that require lower levels of citizen involvement.

Along with the inclusion of factors related to elected officials, public employees, and citizens, the model evaluated below includes other relevant factors that have been previously proposed in the literature on South Korean PB policies. We include measures of the reelection of the local mayors and the percentage of the vote they earned from the last election. Both factors are hypothesized to represent popular support for local government, giving policymakers the freedom to innovate (Choi, 2010; Kang, 2011). Also, we include two economic factors in the model: population density and economic output.

**RESEARCH DESIGN**

Municipalities in South Korea provide a useful testing ground for our hypotheses for two main reasons. First, over a span of 10 years, cities in South Korea
all adopted – some more willingly than others – some form of participatory budgeting. Second, the types of policies that were adopted varied in theoretically important ways, giving us categories of PB policy type that can be investigated comparatively.

**The South Korean Case**

Non-governmental groups and some political parties began lobbying for the adoption of participatory budgeting in South Korea in the 1990s. The Democratic Laborers’ Party (DLP) took up the idea and adapted PB policies first utilized in Porto Alegre, Brazil. The DLP pledged to push for the policies in municipalities where its candidates ran for election, and local governments in South Korea began adopting various types of PB policies in 2004.

The central government in South Korea also urged local adoption of PB policies, and such programs were a core policy of the Uri Party under the administration of President Roh. The adoption of PB policies at the local level became an official governmental agenda item when the Ministry of the Interior provided official guidelines in 2004. The central government continued to informally push for local adoption of PB policies in subsequent years and finally required the adoption of some form of PB policy in 2011. By that point, almost half of all cities had adopted a PB policy, but it took four more years for the remaining cities to adopt a type. All but one had adopted a PB policy by the end of 2013.

**Dependent variable**

The dependent variable of this study is the adoption of one of the PB institutional arrangements discussed above. Each type is identified by unique combinations of rules about the form of citizen involvement in the budget process. Because the actual mechanisms that facilitate the involvement vary, a PB type is categorical in nature. We merge the five PB policy types from Yoon and Lim into three, due to insufficient numbers of cities in some categories. See Table 1 for a summary of the types.

The first PB policy institutional arrangement, which we call Legal Basis Only, requires no formal citizen participation because it has no official institutional channel for participation. In this policy type, each city only adopts an ordinance committed to citizen participation, but without further articulation of a specific function or set of procedures for such participation.

In the second type, the Citizen Commissions and Assemblies, citizens monitor the budget and provide feedback, providing a clearly specified channel for citizen input. In this type, meetings integrate both local public officials and citizens. This is a combination of Yoon and Lim’s second and third PB types. The meetings allow citizens to participate in local budget issues to evaluate public projects and to help prioritize local projects. However, the citizens do not have the authority to finalize budget proposals.

![](Table 1. PB Adoption by Type)

| PB Policy Type               | No. Adopted 2004-2010 | No. Adopted 2011-2013 | Total |
|-----------------------------|------------------------|-----------------------|-------|
| Type 1 – Legal Basis Only   | 54 (54.00%)            | 43 (34.67%)           | 97 (43.30%) |
| Type 2 – Citizen Commissions & Assemblies | 31 (31.00%)            | 62 (50.00%)           | 93 (41.51%) |
| Type 3 – Delegated Powers   | 15 (15.00%)            | 19 (15.32%)           | 34 (15.18%) |
| Total                       | 100                    | 124                   | 224    |

Note: Figures in parentheses stand for proportion over grand total.
The final type, Delegated Powers, provides more substantial authority over budgetary decision-making to citizens. This type – combining Yoon and Lim’s fourth and fifth categories – includes a participatory budget council (PBC) composed of citizens and city staff that finalizes a comprehensive budget proposal. The PBC is a more official and broader institution than the Citizen Commissions and Assemblies type with authority to finalize budget proposals from staff. This PB type occasionally excludes the commissions, regional assemblies, and PBCs (though it frequently includes them), but enables citizens to identify city planning project priorities and sometimes opens budget decisions to citizens for voting through digital governance platforms.

Information about the type of PB policies that local governments adopt is extracted from Yoon and Lim (2016). We collected data on the timing of the adoptions based on each local government’s ordinance, which is archived with the Ministry of Government Legislation in Korea.

### Table 2. Types of Institutions for Participatory Budgeting

| Participatory budgeting type | Institutional apparatus (Mechanism)                                                                 | Number of Municipalities |
|-----------------------------|------------------------------------------------------------------------------------------------------|--------------------------|
| Legal Basis Only            | City adopts policy in support of PB but takes no formal actions.                                      | 97 (42.30%)              |
| Citizen Commission and Assembly | Citizen group; 1) monitors budget, 2) provides priority of projects, 3) evaluates and prioritizes projects, and 4) provides guidance on budget priorities. | 93 (41.51%)              |
| Delegated Power             | City staff works collaboratively with Citizen Commission to finalize annual budget. Citizens also can vote directly on priorities and projects in the budget via digital governance processes. | 34 (15.18%)              |

Note: Adapted from Yoon and Lim (2016). See also Baiocchi (2001).

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Independent variables
The model includes four key independent variables and three control variables. The variables of interest measure the impact of the ideology of the mayor, the ideology of the council, the city’s administrative capacity, and the degree of existing participation in direct democracy.

The mayor’s ideology is defined by whether the incumbent is affiliated in one of South Korea’s progressive parties, and is operationalized as a 1 if the mayor belongs to one of these parties and 0 otherwise.

To measure the council ideology, we counted the number of seats occupied by a council member affiliated with one of the progressive parties and divided that figure by the total number of seats.

Third, administrative capacity is measured as the number of public employees per capita. Governments need some human resources to implement public programs, and the programs are prone to be labor-intensive at the local level. The greater number of employees means that local governments have a greater capacity to manage local issues more readily.

Finally, the experience of direct democracy is measured by the total number of direct democracy votes conducted in a jurisdiction. As the experience of participation may vary by how frequently citizens engage in local issues, the aggregate number of citizen referendums, recalls, and civil suits indicates the magnitude of the prior experience.

We control for factors that were used in previous studies of South Korean PB policy adoption. We control for the percentage of the vote that a mayor earned from the previous election, and whether the previous
The election was one in which the mayor was reelected (with a nominal variable, with 1 equal to the previous reelection). City demographics included in our model are population density and magnitude of urbanization. To control the income level of municipalities, we include GDP at the local level. The GDP is estimated from the regional level as the weighted sum of GDP by the number of employees in individual industries (Kim, 2010).

### Table 3. Data and Sources

| Category      | Variable           | Data type    | Measurement                                                                 | Data source                                                                 |
|---------------|--------------------|--------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Dependent     | Participation      | Nominal (0–3)| Yoon and Lim (2016)’s classification; 0 if participatory budgeting is not adopted yet | Ministry of Government Legislation (www.elis.go.kr) and Yoon and Lim (2016) |
|               | Progressive mayor  | Dichotomous  | 1 if a mayor is affiliated with one of the progressive parties in South Korea, otherwise 0 | National Election Commission (http://www.nec.go.kr/)                      |
|               | Progressive council| Continuous (%)| Share of progressive parties members over total number of council members | Korean Statistical Information Service                                      |
| Independent   | Administrative capacity | Continuous | Number of public officials per capita                                      | Ministry of the Interior (http://www.mois.go.kr)                        |
|               | Direct democracy   | Continuous   | Aggregate count of referendums, recalls and civil suits                   | National Election Commission                                              |
|               | Reelection         | Dichotomous  | 1 if a mayor is reelected, otherwise 0                                    |                                                                            |
| Control       | Population Density | Continuous   | Population divided by area (acre)                                         | Korean Statistical Information Service (http://www.kosis.go.kr/)          |
|               | Local GDP          | Continuous   | Weighted sum of GDP by the number of employees in individual industries, per capita |                                                                            |
|               | Time               | Continuous   | Square-root of years deviated from 2011                                   |                                                                            |

3 where \( i \) indexes industries and \( j \) indexes municipalities.

4 That correspond to county government in the U.S federal system.

Data and Modelling Approach

The data include most cities in South Korea but excludes consolidated cities, metropolitan governments, and special jurisdictions that are allowed to have a greater level of autonomy than ordinary municipalities. We thus begin with 225 cities over 10 years, for a total of 2,250 observations. We lag the data one year and exclude one city that failed to adopt any policy during the analysis period.

We develop the model under the assumption that once a PB policy type is chosen, the city is right censored, which implies that it cannot – or at least does not – change its PB policy type in the future. While this may be a questionable assumption in the longer term, as a practical matter, no cities further changed their PB policy type during the era under study (Box-Steffensmeier & Jones, 2004).
Table 4. Descriptive Statistics of Continuous Variables

| Variable                        | Obs | Mean  | SD    | Min | Median | Max  |
|---------------------------------|-----|-------|-------|-----|--------|------|
| Progressive mayor               | 1,444 | 0.176 | 0.381 | 0   | 0      | 1    |
| Progressive council             | 1,444 | 0.148 | 0.223 | 0   | 0      | 1    |
| Administrative capacity         | 1,444 | 8.131 | 5.982 | 1.839 | 6.048  | 42.369 |
| Direct democracy                | 1,444 | 0.043 | 0.265 | 0   | 0      | 4    |
| Vote share                      | 1,444 | 0.342 | 0.476 | 0   | 0      | 2    |
| Reelection                      | 1,444 | 53.996 | 13.468 | 19.4 | 53.1   | 100  |
| Population density              | 1,444 | 19.123 | 28.061 | 0.081 | 2.046  | 116.958 |
| Local GDP                       | 1,444 | 5.864 | 0.792 | 3.819 | 5.689  | 8.699 |

Table 5. Panel Multinomial Logistic Model

| Variables                  | PB type 1 | PB type 2 | PB type 3 |
|----------------------------|-----------|-----------|-----------|
| Progressive mayor          | 0.694**   | 1.313***  | 2.129***  |
|                            | (0.315)   | (0.336)   | (0.490)   |
| Progressive council        | 0.411     | 1.153**   | 2.218**   |
|                            | (0.523)   | (0.573)   | (0.874)   |
| Administrative Capacity    | 0.0487**  | -0.0238   | -0.277*** |
|                            | (0.0192)  | (0.0272)  | (0.0856)  |
| Direct democracy           | -14.24    | -0.270    | -1.127    |
|                            | (701.1)   | (0.537)   | (0.990)   |
| Reelection                 | 0.0110    | -0.208    | -0.0782   |
|                            | (0.249)   | (0.281)   | (0.498)   |
| Population density         | -0.0269***| -0.0134** | -0.0190** |
|                            | (0.00789) | (0.00620) | (0.00831) |
| Local GDP                  | -4.053**  | -0.434    | -7.116*   |
|                            | (1.997)   | (2.161)   | (3.904)   |

Observations                  | 1,444     |
Log-likelihood (Full)          | -565.936  |
Log-likelihood (Null)          | -852.683  |
Pseudo-R2                     | 33.63%    |

Note: Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1
Time and constant terms are included in the analysis but omitted here for brevity. Both were statistically significant.
The result is that 1,444 observations are included in the final analysis with 224 cities opting for one of the three types of PB institutional arrangements during the period from 2004 to 2013.

Because each type of PB policy adoption is a distinctive choice affected by our independent variables differently, we adopt a competing-risks event history modeling approach (Chung, Schmidt, & Witte, 1991; Box-Steffensmeier & Jones, 2004). Given the categorical nature of the outcomes, we utilize a multinomial logit specification within a panel setting. We include a time indicator that is the square-root of the absolute value of time away from 2011 when the South Korean central government began requiring the adoption of a PB policy (Bernick & Myers, 2012; Mooney & Lee, 1995).

**FINDINGS**

The baseline of the model is when a PB policy is not adopted when the dependent variable takes a value of 0. The results then indicate which factors contribute to the different choices cities make regarding PB policy adoption, relative to that baseline. The overall goodness of fit of the model is manually calculated as McFadden’s pseudo-R2 using log-likelihoods of the three models and an empty model without predictors (Elwell-Sutton et al., 2017) and is 33.63%, indicating that 33 percent of the variance is explained by the model. The time trend indicator utilized to control for serial correlation is significant, indicating a link between time and PB policy choice timing. This is not a surprising result as the central government started requiring the adoption of some form of PB policy since 2011. However, as noted in Table 1, 100 of the 224 cities in the sample adopted some form of PB policy prior to the requirement from the central government, indicating that the requirement is not the only relevant factor in PB adoption. Moreover, the 2011 requirement left open the option of which PB policy type would be selected by cities.

Table 5 presents the results of the analysis. Overall, the model functions as predicted by the hypotheses with most of the theoretically important variables achieving significance in at least some cases. Column 1 indicates the impact of the independent variables on the adoption of the first type of PB policy institutional arrangement, Legal Basis Only. Column 2 indicates the impact of the independent variables on the adoption of the second type of PB policy institutional arrangement, Citizen Commissions and Assemblies. And Column 3 shows the effect of the independent variables on the third type of PB policy institutional arrangement, Delegated Powers. Please refer to Table 2 for a brief description of the three institutional arrangements.

The value in the methodological approach utilized in this paper is the ability to view the impact of an independent variable across the PB types. We turn to that comparison now.

First, cities with progressive mayors are more likely to adopt PB policies. The variable for a progressive mayor is statistically significant and positive for all three PB policy types. Importantly, this finding is stronger for PB policy types that allow more inclusive types of citizen participation.

The findings regarding progressive city councils are less consistent, but still generally supportive of the hypothesis. The percentage of progressive councilmembers impacts the choice of the second and the third PB type, where the coefficient is statistically significant and positive. More progressive councils appear to favor the more inclusive PB policy types.

These findings are consistent with our hypothesis about progressive elected officials and document that the policy efforts of the dominant Uri Party in that era were successful in pushing for citizen participation in the budget process, especially participation above minimal levels.

The third variable, administrative capacity, is noteworthy. The results indicate that cities with higher levels of administrative capacity – defined as the number of public employees per capita – are more likely to choose the least inclusive type of PB policy, and are less likely to choose the most inclusive type of PB policy. The coefficient on this variable is positive.
and significant for the first, most minimal, type of PB policy, but is negative and significant for the third, most involved, type of PB policy. The level of administrative capacity does not appear to impact the choice of the second type of PB policy.

However, the coefficient for the variable for experience with other types of direct democracy is not statistically significant for any type of PB policy. This may indicate, as suggested above, that citizens might experience fatigue when it comes to participation, but we believe that the available data for linking other forms of participation to PB policy is insufficient to conclude at this point.

Finally, only two control variables are consistently significant. After controlling for other variables, cities with greater density tend to adopt less inclusive PB policies. The finding for local GDP follows a similar pattern.

CONCLUSIONS

This paper contributes to our understanding of citizen participation in the budget process by exploring factors hypothesized to explain why cities choose one type of mechanism of citizen input to the budget process over another.

Budget processes are important means of citizen participation in policymaking because the allocation of scarce community resources during budget processes is the method by which programs are funded (or not) in public organizations. As a consequence, choices made during budget processes have distributional consequences.

The approach utilized in this paper identifies three categories of PB policy combinations — three different institutional arrangements — and compares the adoption of one type over the others in cities in South Korea between 2004 and 2013. The analysis demonstrates that cities with progressive mayors and higher proportions of progressive council members are more likely to adopt the more inclusive types of PB institutional arrangements. It also shows that cities with more administrative capacity tend to avoid the most inclusive PB type, and more likely to adopt the least inclusive type. The analysis found no connection between prior direct citizen involvement and the adoption of a PB policy type.

These findings provide evidence that the policy actors matter in the choice of PB policy type. Elected politicians and public employees appear to be important factors in the adoption of a particular type of PB policy. Of particular interest is the fact that cities with greater administrative capacity appear less supportive of PB policies, suggesting that perhaps staff are less focused on representative bureaucracy and more focused on professionalization of the budget process, potentially supporting arguments in the literature that citizen inexperience and bureaucratic turf-building may be important factors in choices made by public managers (Kweit & Kweit, 1981; Yang & Callahan, 2007).

From a practical perspective, these findings can be interpreted to suggest that local governments with a higher proportion of elected representatives who identify on the progressive end of the political spectrum may be more apt to adopt PB policies that are more inclusive and that give greater authority to citizens in the budget process than cities with less progressive representatives. On the other hand, cities with larger staffs per capita — what we identify as management capacity in the paper — may be less inclined to adopt policies that foster substantively significant participation by citizens. How this finding might or might not be compatible with other research noting that more professional managers tend to support higher levels of participation is an important question for further analysis.

There are two key limitations of this study. First, South Korea’s centralized federal structure may indicate that the lessons here may be less immediately transferable to other communities, especially compared to possible adoption in less centralized political systems. We have no reason to believe that the factors affecting adoption are necessarily any different in South Korea than other nations, but the economic and political environment may well play a part in policy adoption in ways that...
we do not yet fully understand.

Second, the South Korean case has an unusual intervention half-way through the time horizon in this study. In 2011, the central government in South Korea – after informally pushing for local adoption of PB policies – decided to require their adoption. Adoption since 2011 became a foregone conclusion. However, the type of PB policy was not predetermined, and the ability to evaluate the different institutional arrangements adopted by cities is an important aspect of this study.

This study presents an important addition to our understanding of PB policy choice, but there is more to be learned. For example, the finding that cities with higher administrative capacity appear to lead to less inclusive mechanisms of budgeting needs more investigation.

Moreover, in line with much of the existing research, there is much yet to be learned about fiscal and other outcomes associated with each type of participatory mechanism adopted. In other words, do cities that have adopted one institutional arrangement spend more or less, or perhaps modestly shift spending priorities? Do they tax citizens differently or otherwise raise funds by different means?

Finally, the findings from this paper are predicated on the notion that the choice of PB mechanism is static: Once adopted, the choice does not change. But as policy learning and preferences evolve, it is certainly possible – though potentially more challenging to model – that local governments will switch their PB types to higher or lower participation types.

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ABOUT THE AUTHORS

Dr. Skip Krueger is an associate professor in the Department of Public Administration at the University of North Texas, where he specializes in state and local public finance, local political economy, and the fiscal effects of disasters.

HyungGun Park is a researcher at the Institute of Governance and Policy Evaluation, SungKyunKwan University. His research interests include citizen participation, fiscal federalism, and special district.