

Korean Land Policies under the Public Concept in Land and Its Impact on Land Market

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Abstract

In the late 80s the real-estate crisis in Korea was particularly devastating. The increase in the price of land threatened economic growth as well as the citizens welfare if left uncontrolled. Thus, the focus in land problems quickly shifted towards the issue of distribution. The Korean government had searched for more positive and direct policy instruments in order to increase the supply of land on the one hand, and to prevent land speculation on the other. Consequently, in December, 1989, the Korean government started to introduce a set of policy measures which are under the public concept in land, popularly called "To-Ji-Gong-Gae-Nyom (土地公概念)".

These are mainly composed of the Urban Residential Land Ownership Ceiling Act which is intended to discourage both the owners of excessively large lots and owners of many lots scattered in the urban areas; the Land Value Increment Tax Act which is imposed on a part of gains resulting from the price of land increase; and the Development Charge Act, a measure to recapture a portion of profit created by land development projects for residential and industrial uses.

This paper attempts to investigate not only the process of making new policy measures but also the contents and problems. Additionally, it is designed to examine the results of this policy related to land market, even though only 5 years have passed after implementing them.

1. Introduction

Korean government started to introduce a set of policy measures which are under the public concept in land, popularly called "To-Ji-Gong-Gae-Nyom (土地公概念)". This paper attempts to investigate not only the process of making new

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measures but also the contents and problems. Additionally, it is designed to examine the results of this policy related to land market.

In almost developing countries of the world, urban land values are increasing more rapidly than the general rate of inflation and the gross national product (GNP). Economic development has drawn people to cities as shown in table 1¹⁾, placing an enormous demand on the limited supply of urban lots, thereby dramatically and continuously driving up the price of lands. During the 1960s, the price of lands in the major cities of Korea increased annually by almost 50%. In addition, people demand land not only for the economic activities but for purely speculative purposes as well. The Korean government has adopted special measures to control the price of land every 2 or 3 years since 1967 when the Korean government amended "the Real Estate Speculation Control Act".

Table 1 The Urbanization Pattern (Unit: 1,000 person, %)

	1960	1970	1980	1990
Total	24,989(100.0)	30,852(100.0)	37,407(100.0)	43,520(100.0)
Urban	6,997(28.0)	12,685(41.1)	21,401(57.2)	32,397(74.4)
Seoul	2,445(9.7)	5,536(17.9)	8,364(22.4)	10,627(24.4)
SMA ¹⁾	5,198(20.8)	8,731(28.3)	13,279(35.5)	18,583(42.7)

Source: Economic Planning Board

Note: 1) SMA denotes Seoul Metropolitan area which includes Seoul, Inchon, and Kyungki Province.

* The total area of Korea is 99,263km², of which about 4.4% is currently used for urban economic activities, i.e. for residential, commercial, industrial, and public facilities.

Unfortunately, these policy measures were more or less created without a clear understanding of the underlying causes of land problems. They were also vulnerable to the criticism that probable side-effects were not considered. Because those measures focused on the strengthening of income transfer tax and donation tax, they were not effective in controlling the prices of land.

In the late 1980s the price of land soared again significantly²⁾. For example, the the average increase of the price of land in the country was 27.5% in 1988 and 32.0% in 1989 as indicated in table 2. The total value of the nation's land resources was estimated to be more than 9 times of the GNP in 1990. In the case of Japan where high the price of land was notorious in 1988, this value was half of that of Korea (precisely 4.9 times of GNP).

This real-estate crisis was particularly devastating and the increase in the price of land threatened economic growth as well as the citizens' welfare if left uncontrolled.

Table 2 The National Land Value

	Korea in 1989 ¹⁾	Japan in 1988 ²⁾
Land Value	1295.7 trillion <i>won</i>	1,839 trillion <i>yen</i>
GNP	141.1 trillion <i>won</i>	379 trillion <i>yen</i>
Land/GNP	9.2	4.9

Source: 1) Kim, Sung-bae(1993)

2) Tochi Zeisei Kenkyukai (1991)

Thus, the focus in land policy problems quickly shifted towards the issue of distribution. The Korean government had searched for more positive and direct policy instruments in order to increase the supply of land on the one hand, and to prevent land speculation on the other. Consequently, in December, 1989 Korean government started to introduce a set of policy measures which are termed in Korean as "To-Ji-Gong-Gae-Nyom (土地公概念)" which implies a strong public intervention in the land market and may be translated into English as "the public concept in land". These are mainly composed of the Urban Residential Land Ownership Ceiling Act, the Land Value Increment Tax Act, and the Development Charge Act³⁾.

Under these circumstances, this paper attempts to investigate the process of making new policy measures but also the contents and problems. Additionally it is designed to examine the results of this policy related to land market, even though only 5 years had passed after implementing them.

2. The background of New Policy

2. 1 The necessity to readjust the disparity of land ownership

The capital gain by the increase of the price of land favored those who owned much land. With the price of lands so high, what distinguishes the rich from the poor, has become the ownership of real estates⁴⁾. As shown in table 3, land ownership patterns were very unequal in Korea. For example, the top 5% of the landowners were in possession of 65.2 % of the total privately owned land, while the top 10% of landowners owned 76.9%. If we disaggregate land ownership patterns at the city level, it could be found that there were more unequal distributional pattern in large cities such as Pusan and Taegu.

Even more surprising to see is the fact that ownership pattern is also unequal in the case of residential land. As shown in table 4, about 59 % of residential land was owned by the top 10 % of landowners. The unequal distribution of residential land must be regarded as a serious problem because it is an obstacle for housing

Table 3 The Distribution of Land Ownership by City (1988) (Unit: %)

	Percentage of total land area	
	Top 5% of owners	Top 10% of owners
Total land area	65.2	76.9
Seoul	57.7	65.9
Pusan	72.3	81.4
Taegu	72.6	82.4
Inchon	64.2	77.8
Kwangju	55.7	69.4
Taejon	65.1	76.4

Source: the Research Committee of the Public Concept in Land (1989) p.4.

production. The most extreme concentration of exclusive ownership is revealed in the case of forest of which approximately 98% was owned by the top 10% of landowners. Hence, if some forest was converted to residential land in the process of urbanization, it is likely that owners of that land enjoyed substantial capital gains from land value increases.

Table 4 The Distribution of Land Ownership by the Type of Land Use (1988) (Unit: %)

	Percentage of privately owned land area	
	Top 5% of owners	Top 10% of owners
Total	65.2	76.9
Residential	59.7	72.5
Industrial	35.1	53.1
Dry Field	29.5	69.8
Paddy Field	31.9	72.7
Forest	84.1	97.7
Miscellaneous	61.3	85.7
Other Uses	64.8	81.4

Source: the Research Committee of the Public Concept in Land (1989), p.35.

The degree of concentration of land ownership exceeded even the most pessimistic previous estimates, and was far worse than any indicator of income distribution. The larger the Gini Coefficient(G), the greater the inequality. If G is 0, everyone has same amount of land. If G is 1, the only person has all amount of land. As shown in Table 5, the landownership was very distorted in Korea.

Table 5 Gini Coefficient for Income, Financial Assets, and Property (1988)

	Gini Coefficient
Income ¹⁾	0.336
Financial Assets ²⁾	0.561
Land ³⁾	0.849

Source: 1) Economic Planning Board (1990)

2) Kang, Bong-Kyun (1989)

3) the Research Committee of the Public Concept in Land (1989)

Moreover, in a situation where the gains from land value increase were not properly recaptured, the rapid growth of the price of lands distorted the wealth distribution pattern. In other words, this disparity of land ownership patterns causes the unequal income distribution. In order to examine this assertion, an attempt was made to estimate the size of gains from land value increases and their distributional pattern. Table 6 demonstrates that the windfall gains from land value increase over the last few years. According to the estimates, from 1987 to 1990 the windfall gains which had been based on the increase of land value for 4 years amounted to about 900 trillion. But tax(including charge) levied on the land which was only 2.2% of the capital gains amounted to 20 trillion.

Table 6 The Windfall Gains to GNP (trillion won)

	Land Value ¹⁾	Windfall Gains ²⁾	GNP	Windfall Gains/GNP
1985	646.3	42.3	78.1	0.54
1986	693.5	47.2	90.5	0.52
1987	795.5	102.7	106.0	0.96
1988	1,014.2	218.7	126.2	1.73
1989	1,295.7	324.6	141.8	2.29
1990	1,614.5	275.7	168.4	1.64

Source: 1) the Ministry of Construction(1991)

2) Lee, Sung-uk(1991)

This clearly indicates that if the price of land increases rapidly, the wealth inequality becomes wider and the most gains from land value increases accrue to the wealthier group of landowners. Due to this situation, the Korean laborer do not work hard and have lost their work ethic. Therefore, a reform of the disparity of land ownership was urgently needed.

2. 2 The necessity to increase supply of land in order to construct housing

If the the price of land rises, so does the price of housing and rent. Especially,

the price of "chonse(專賃)" which is the lease of house(room) on a deposit basis rose drastically. "Chonse" which is a very popular rent system in Korea is adopted by low-income people. The increasing rates of "chonse" price and housing price were not compatible. During 1989, "chonse" increased 23.7%, while the housing price increased 16.6%. The situation was so grave. Many people could not pay the increased deposits for "chonse". For example, in a two months spell between Feb. to Apr. 1990, 15 people committed suicide due to low income/high rent. This disparity of housing expenses resulted in pushing up the wage levels which caused the increase of production costs.

This became a serious problem for the Korean export-oriented economic structure. Accordingly, it was necessary to increase the supply of land in order to construct housing for low-to-middle income families.

2. 3 The necessity to provide Infrastructure

The increase of the price of land made public works for infrastructure very difficult. Due to rapid increases in the price of lands, the land cost for infrastructure grew enormously. For instance, the amount of government compensation for land used for infrastructure increased from 4,800 *won*(\$10) per *pyung*(3.3m²) in 1977 to 96,500 *won*(\$135) in 1990(Ministry of Construction, 1991; 72).

Table 7 shows the trends in the construction costs of expressways over the years. The construction cost of Kyungbu Expressway amounted to 110 million *won*/km in 1968. Due mainly to the increases in the price of land, the cost for Kuri-Taegyewon expressway, which was completed in 1993, was 270,000 million *won*/km. This indicated that the construction cost had grown 270 times over the past 25 years. While increase of construction cost was due to the increase of labor and other costs, a large portion of increase was caused by the increase of the price of lands.

Without improving infrastructure, it is very difficult to bring about economic development. Therefore, it is very essential to stabilize the price of land.

Table 7 The Construction Cost for Expressway (million *won*)

Expressway	Cost/km	Completion
Kyungin(Seoul-Inchon)	1.1	1968
Kyungbu(Seoul-Pusan)	1.0	1970
Honam(Hoeduck-Sunchon)	0.9	1973
Namhae(Sunchon-Pusan)	1.3	1973
Yongdong(Singal-Kangnung)	1.4	1975
Kuma(Taegu-Masan)	2.9	1977
Buma(Pusan-Taegu)	15.0	1981
Jungbu(Hannam-Nami)	29.0	1987
Singal-Ansan	76.0	1992
Pankyo-Kuri	103.4	1992
Kyungin II(Seoul-Inchon)	142.0	1993
Seohaean(Inchon-Ansan)	214.0	1993
Kuri-Taegyewon	270.0	1993

Source, Ministry of Construction

3. The Process of Formulating New Policy

3. 1 The Process of Legislation

Past policy efforts notwithstanding, real estate prices increased radically after of the Olympic Games of 1988. Government considered an introduction of a strong and comprehensive land policy. For making new land policy, the Research Committee of the Public Concept in Land which had 30 members was formed in Sep. 1988. The members of this committee were professors who are specialized in land policy; bureaucrats who were in charge of land policy; journalists who devoted themselves to economic analysis; and professionals who came from various private economic organizations.

There were 4 sections of committee such as "ceiling on landholdings", "regulation of transaction of land", "redemption of development interest", and "control of excess landholdings by corporations (chaebols: 財閥)". The committee had to present the final report by May, 1989. Based on the final report, new policy measures called "To-Ji-Gong-Gae-Nyom(土地公概念)" were composed of the Urban Residential Land Ownership Ceiling Act, the Land Value Increment Tax Act, and the Development Charge Act. They were presented to the National Assembly which feared that the new policy measures would raise the tax burden. At that time, business world and ruling party were very strongly against these new policy measures. But, by an overwhelming support of the people, each act whose legislative purpose became weakened was passed on Dec. 18, 1989.

The reason why these new policy measures were called "To-Ji-Gong-Gae- Nyom (土地公概念)" was that they related not only to the control of private landholdings directly but they also emphasized public concept in land use.

3. 2 Government & Public Relations

Until new land policy measures were passed through the Parliament, government made an effort to obtain the public support by informing the public about the concept in land via TV and newspapers. For example, in Sep., 1989. The Ministry of Internal Affairs distributed the explanations of new land policy to people through "neighborhood meeting (bansanghwe: 班常會)" where about 10-20 neighborhood households get together once a month.

The Ministry of Finance put an article of the Land Value Increment Tax Act in "the Financial News" and distributed it not only to the members and the executives of financial agencies but also to professors of various universities. Economic Planning Board published cartoons about new land policy measures in the Daily Sports Newspaper(from Nov. 01- Nov. 11, 1989), which induced people's interest in the public concept in land. The Ministry of Culture and Public Information sent "the

Weekly Korean Affairs" to the religious leaders and asked them to include support to new land policy in their sermon. TV stations joined these active public efforts by making documentary on the serious land problems. The The Ministry of Construction distributed pamphlets of new land policy measures to opinion leaders. Cartoons about new land policy measures were also prepared and distributed to workers and farmers.

In addition, a 30 minute video tape about new land policy measures was made jointly through the cooperation of the Ministry of Culture and Public Information and the Ministry of Construction. This video tape was shown in theaters, bus terminals, and transportation stations and all public places. These active efforts at the governmental level were evaluated to be successful in obtaining public support. The opposition of the economic agencies including "chebol(財閥" was overwhelmed by the sweeping support of people, which amounted 84.7% of total population.

3. 3 Government Reorganization

In order to implement new land policy measures, the government established some public agencies under the Ministry of Construction. For example, the bureau of land inspection was organized to investigate the price of lands and transactions. In the existing bureau of land, two divisions of land management and of land finance were newly established. The division of land management is responsible for implementing the Urban Residential Land Ownership Ceiling Act. The division of land finance in charge of the Development Charge Act and special accounts for new land policy measures.

Government also made the National Tax Office take charge in implementing the Land Value Increment Tax Act. In local governments the division of land administration was newly established for implementing the Urban Residential Land Ownership Ceiling Act and the Development Charge Act as mandated duties.

4. The Structure of New land Policy Under the Public Concept in Land

4. 1 The Urban Residential Land Ownership Ceiling Act

the Urban Residential Land Ownership Ceiling Act is intended to i) encourage land owners to develop or dispose their excess lands, ii) make land ownership more accessible to more urban households, and iii) secure more lands for development. This measure was, in fact, a device to complement the one already in operation, the existing Comprehensive Land Holding Tax. While this tax indirectly affect the behaviors of landowners, the new measure does so directly.

This Act is applied only to the land within the urban planning districts, and was initially put into effect in the six largest urban centers including Seoul, Pusan, Taegu, Inchon, Kwangju, and Taejon in 1990 with a grace period of 2 years. Only the

residential plots (according to cadastral classification ⁵⁾) are subject to measure.

More specifically, they include the following:

- lands where dwelling units are built of adjacent residential lands,
- lands are registered in the cadastre as "building plots" but not contain any built structure (idle lands)

No household or firm can own residential lands as described above in excess of the 200 pyung (660 m²) limit set by the Act. A scrutinizing system is applied when a landlord owns residential lands in more than one location. With only very rare exceptions, they will not be allowed to acquire additional residential lands beyond this limit. Those who already own land in excess of this legal limit are asked to sell their excess lands. But when they insist on keeping such lands, they are levied rather stiff "excess holding charges" which was 4-6% during 1992-1993, and 7-11% of the market value⁶⁾ of the excess amount after 1994 shown in Table 8. This rate seems to be one of the highest property taxes in the world.

Table 8 The Charge Rate of Having the Excess Amount of Land

	the Charge Rate	
	by 2 Years	After 2 Years
Idle land which landowners have before the implementation of Urban Residential Land Ownership Ceiling Act	6%	11%
Residential land which landowners have before the implementation of Urban Residential Land Ownership Ceiling Act	4%	7%
Residential land which landowners have after the implementation of Urban Residential Land Ownership Ceiling Act	7%(after acquirement)	
Residential land which landowners do not use by any purpose.	11%(after grace period)	

Source: Article 7 of the Urban Residential Land Ownership Ceiling Act

Table 9 The Numbers of Landowners Who have the excess amount of land

	the Numbers of Landowners	Area(1,000m ²)	Amount of Charge
Househod	9,218	4,060	186,787
Firm	1,558	1,806	137,729
Total	10,860	5,866	324,516

Source: the Ministry of Construction and Transportation

The Ministry of Construction stated that 33,441 landowners had the excess amount of land on Mar., 1990. The excess holding charge has been levied every year since Mar., 1992, after 2 year grace period. Table 9 shows the decrease of landowners that had an excess amount of land on June 1, 1994.

4. 2 The Land Value Increment Tax Act

The Land Value Increment Tax Act seeks to strengthen the windfall recapture system. A significant portion of unearned income from land value appreciation is taken by the tax even before it is actually realized. Consequently, it is hard to have land for speculative purposes. This system is somewhat similar to the Land Value Increment Tax of Taiwan.

The land value increment tax is applied to land designated as idle land or non-business purposes. Its taxing period is 3 years, and a 50% tax is levied on the "excessive profits from lands" (land value increase over the national average during the 3 year period). However, when the land value increase of a certain district is so rapid that it exceeds 1.5 times the national average rate, the land in question is taxed annually instead of every 3 years.

In 1990, among the designated special region of 852km², the number of plots where increase of the price of land was higher than 30.9% (1.5 times which means the national average of 20.3%) was 36,643, owned by 27,441 individuals and firms. Eighty-three percent of the affected landowners and 92 % of the levied tax amount were located within the city of Seoul and the surrounding capital region. This implies another problem of concentration of wealth as well as the rapid increase in the price of lands in this particular part of the country.

Unlike the existing Real Estate Transaction Income Tax shown in table 10, this tax belongs to a holding tax. Possible double taxation with the existing Real Estate

Table 10 The Comparison between Real Estate Transaction Income Tax and Land Value Increment Tax

	Real Estate Transaction Income Tax	Land Value Increment Tax
Object of Taxation	All Real Estates	Idle or Non-business lands
Taxable Income	Acquired Capital Gain	Unearned income from land value appreciation (even before it is actually realized)
Standard of Assessment	the Difference between Selling Price and Buying Price	Tax amount to 50% of accrued capital gains above the normal rate of land price increase

Transaction Income Tax, however, could be exempted through a cross-deduction scheme.

When the regular land value increment tax during the period 1990-1992 for the whole land was levied in 1993, there were tax appeals and resistance among the affected landowners. Among them, 60 % of 94,441 landowners raised an objection in the National Tax Judge Court. Nonetheless, most of the complaints had been turned down in the court and the taxes were actually collected. However, this tax had a tremendous impact on the market, albeit the roughness of the measure, sharply reducing speculation-minded landownerships.

4. 3 The Development Charge Act

In the course of rapid urbanization, land conversion has taken place as fast as the urbanization process itself. A large amount of previously agricultural land and forest has been converted into urban uses, most residential and industrial purposes, to meet the increasing demand for space. The land conversion process, however, resulted in the price of land changes and had invited land speculators to hold lands until windfall profits are maximized.

These windfall profits, generated through the conversion process, had rarely been properly recaptured by the public in the past, despite the existence of related tax system (Real Estate Transaction Income Tax, for example). Thus, most of the unearned capital gains went to either the landowners or developers, or both. This motivated people to go for more speculative holdings on non-urban lands in the fringe locations which, in turn, push the the price of lands further up.

The government tried to adopt a more solid legal basis in the recent amendments of the related legislations in order to effectively recapture the unearned gains from speculative land owners and the developers. Different from the existing tax, the new policy was intended to be applied wherever capital gains arose regardless of actual transactions; that means even during the possession of the same owner. The Development Charge and the Land Value Increment Tax are the tools adopted for this purpose.

The Development Charge is levied upon the developer of lands being serviced into residential, industrial, or leisure purposes with the approval/permissions of central/local governments. In 1990 the development projects of which land scale was above 10,000m² in 1990 should be subject to the Development Charge. But the land scale to be assessed was changed. since 1994 charges have been applied to those projects of which land scale is above the standard assesment depends on the location of land. For example, 660m² is land scale of standard assesment in the six largest metropolitan areas: Seoul, Pusan, Taegu, Inchon, Kwangju, and Taejon; in other cities, 1,650m².

Basically, the charge amounts to 50% of the land value differentials before and after the project completion, with the actual development costs deducted⁷⁾. It means

that the charges are applied to those projects which clearly generate or are expected to generate a significant amount of windfall gains. The charges, however, will not be imposed or be reduced to half on the government projects or the projects being undertaken on behalf of the government, local and central alike.

Table 11 shows how much the Development Charge had been collected for 6 years between 1990 and 1995. Since 1994 the amount of charge to be levied has been increased by enlarging the taxation standard, but the charge per each case declined because of the decrease of the price of land.

Table 11 The Development Charge Amount Assessed(1990-1995)
(unit: item, millionwon)

	1990-91	1992	1993	1994	1995	Total
Number of Assessment(A)	813	628	792	1,292	2,259	5,782
Amount(B)	159,476	123,105	109,748	151,849	254,709	790,550
B/A (per each case)	196.2	196.0	138.6	117.5	112.8	136.7

Source: Ministry of Construction and Transportation

5. The Problems of New Land Policies Under the Public Concept in Land

There have been various technical and administrative problems associated with the implementation of new land policies under the Public Concept in Land.

First of all, one potential problem with the Land Value Increment Tax is that it is levied on the increased land value appreciation before it is actually realized and thus violates the general taxation principle of "ability to pay." When this tax was implemented, the individual who should pay this tax might have had to reduce his housing plot or his own farming paddy just to pay the tax even if it the land is his only property. Moreover, if the the price of land declines, taxpayers who paid this tax previously might require a refund. But there is no consideration of the decrease of land value after levying tax and of gapital loss.

In addition, this tax is targeted for idle lands. However the definition of 'idle land or non business use' is not clear. Not only this, the land value increment tax is assessed on the basis of officially announced the price of land, which may be different from what the landowner perceives. Therefore, it is very subjective for tax administration agent to judge taxation article in his own way. On July 29, 1994, the Constitution Court conferred this arbitrariness of the Land Value Increment Tax as a disagreement of constitution. The office of National Tax Administration had to make the standard for judging idle land strict. In 1996, owing to the decrease of land value and the strict standard, it was very rare to levy this tax for the second regular land value

increment tax during the period 1993-1995.

Next, there are also problems related with the Land Ownership Ceiling Act. To create a ceiling of land ownership that set a limit of holding area, they faced a technical difficulty in setting the optimal size of the limit. It may also distort the people's ordinary behavior in selecting the size of land plots for their ownership. Some also argue that the Land Ownership Ceiling Act would interfere with present and future efficient land use by forcing land partitions.

There is much controversy over who will ultimately bear the burden of the Development Charge. Some argue that the charge might be shifted to the rent or user's fee. For instance, in the case of the housing development project the charge to be levied are composed of the cost of housing to be sold. The shift of tax is applied not only to the development charge but to land value increment tax. In addition, it is also disputable to determine the price of land at the starting point of project.

6. The Results of New Land Policies under the Public Concept in Land

It is very difficult to examine the effects of the new land policy because only 5 years had passed after implementing them. But, as mentioned before, these policies were designed toward reducing the demand by intensifying holding tax and expanding the supply by encouraging the use of idle land policy. At present, these new policies are assessed as more or less successful, although not concrete as yet.

Table 12 Annual Change of Average of Land Price (unit : %)

	'90	'91	'92	'93	'94	'95
Average of Nation	20.58	12.78	-1.27	-7.38	-0.57	0.55
Seoul	31.18	11.15	-2.78	-8.72	-1.36	0.18
Pusan	15.82	14.69	-1.57	-6.77	-0.35	0.14
Taegu	27.42	13.74	-2.61	-7.77	0.87	1.27
Inchon	29.14	22.81	0.11	-6.62	0.07	0.58
Kwangju	22.43	16.50	-0.33	-6.36	-0.26	1.44
Taejon	17.89	23.25	-9.35	-7.81	-0.59	-0.47

Source: Ministry of Construction and Transportation

First, the the price of land has been stable. From 1992 when the new land policy under the public concept in land was regularized, the the price of land began to drop after continuous upward movement for the first time. Table 12 shows the annual change in the price of land. From January 1 of 1992 to January 1 of 1995, the annual average for the price of land decreased. In particular the the price of lands in the 6 large cities had fallen more severely than the average of national the price of land for the same period⁸⁾. For example, the price of land in Taejon has been still dropped. The the price of land has shown small increase since 1995 due to the expectation to rise in the price of land by the deregulation of land policy.

On the other hand, the price of land in use has dropped. Table 13 shows this decrease of land use. The the price of land of residential area had been more decreased than that of other land uses.

Table 13 Annual Change of Land Prices of Land Uses* (unit : %)

	1990	1991	1992	1993	1994	1995
Average of Nation	20.58	12.78	-1.27	-7.38	-0.57	0.55
Residential Area	26.36	13.57	-2.18	-7.65	-0.78	0.30
Commercial Area	29.39	12.22	-1.38	-7.18	-0.47	0.37
Industrial Area	32.36	15.96	-1.37	-7.04	-0.30	0.76
Green	39.10	13.80	-0.56	-7.21	-0.30	0.88
Rural Areas	29.39	9.42	0.64	-7.12	-0.38	1.10

Source: Ministry of Construction and Transportation

* The planning of urban land uses in each municipality utilizes the same 4 basic zones (residential, commercial, industrial, and green-further divided into 12 subzones).

In addition, the numbers of land transaction had been decreased for 2 years since 1991. It was assumed that the speculative transaction was partially reduced by decreasing the expectation of increase of the price of land. But, it could be said that landowners may wait for possible mitigation of the new policy measures. This interpretation is supported by the fact that the numbers of transaction began to increase again from 1994 because expectation to increase of the price of land.

Second, considering the concentration of land ownership, the top 5% of land owners were in possession of 54 % of the total privately owned land in 1993. It shows the decrease of concentration of landownership as compared with the year of

Table 14 The Change of Numbers of Transaction (Unit :1,000)

	1990	1991	1992	1993	1994	1995
the Numbers of Transaction	1,030.8	1,088.5	892.0	858.4	965.8	1,084.1
Increasing Rate(%)		5.6	-18.1	-3.8	12.5	12.2

Source: Ministry of Construction and Transportation

1988. The Gini coefficient also decreased from 0.849 in 1988 to 0.730 in 1993. But it is difficult to agree that Gini coefficient decreased public concept in land because Gini coefficient gradually increased again from 0.746 in 1994 to 0.749 in 1995 (Ministry of Home Affairs).

Third, there had been a change in land use pattern by levying the Land Value Increment Tax which punishes the vacant lands with rapid increase in price. There have been substantial cases of evasion efforts on the landowners' side, such as building unnecessary improvements to avoid idle land classification. Much of this building activity exacerbated a shortage of skilled construction laborers and material during a brief period of 1990-1992. For example, the lands which were used for indoor golf practice, tennis court, and driver's school were to be changed to the lavish building lots such as family restaurants. Because those lands were regarded as idle lands. It means that there are sharp shrinkage in developable raw lands within large urban areas. Table 15 shows the decrease of developable raw lands.

Table 15 The Changing Situation of Land Use Pattern

	numbers of items			area(1,000m ²)		
	Mar.2 '90	Dec 31, 1992	decreasing rate(%)	Mar.2 '90	Dec 31, 1992	decreasing rate(%)
indoor golf practice	111	107	3.6	587.5	482.6	17.9
tennis court	124	80	35.5	296.3	218.9	26.2
driver's school	67	48	28.4	552.1	395.6	28.3
total	302	235	22.2	1,435.9	1,096.8	23.6

Source: Ministry of Construction and Transportation

7. Conclusion and Future Prospects

Land is indispensable as a resource to accommodate various activities necessary for economic growth. High land value restrains expansion of these activities and

thereby hinders further growth of the economy. Cyclical up-surge of the the price of lands and concurrent of speculative activities have marred the real estate market in modern Korea. Especially, in the late 1980s, the real estate speculation had spread through the country and had resulted in numerous socio-economic problems such as the unequal distribution of land ownership, the inefficient land use, and the rapid increase of the price of land. Thus, government was forced make a strict land policy under the public concept in land.

These policies were designed primarily to erase the speculative motivations and to significantly reduce the chances of gaining any unearned profits which had fueled speculation in the past. They are also directed toward regulating land possession for speculative purposes and suppressing the price itself. It could be said that these new measures do show some sign of improvement, even though there have been some rough spots here and there, as mentioned before. These new policies, together with the comprehensive land holding tax, seem to contribute to stabilizing the land market in Korea, even though there is still a huge resistance of tax payers and an opposition of economic society.

But public concept in land is considered important to maintain a consistent stance in carrying out the land policies. Because there are signs of modifications in these policies and a weakened will of introducing them, those who enjoyed windfall capital gains are willing to buy lands despite enforcement of the public concept in land.

Another very important aspect is the close and inevitable relationship between the real estate market shares and the management of the nation's macro economy. Past experience suggest that the movement in real estate market are more affected by macro economic factors, like money flow and interest rates, than by the factors indigineous to the real-estate market itself(Son, Jae-young, 1990). Therefore, a better understanding of the intricate interactions between land market and other sectors of national economy would significantly enhance the utility of the land policies.

Notes

- 1) Korea's urbanization process has been marked with lopsided concentration of population and activities in Seoul and its surrounding capital region.
- 2) Korean global competence had improved over the last few years after 1986. This was caused by 3 phenomena : international interest rate which was decreased; the exchange rate vis a vis US dollar that was positive; and the oil price which was decreased. Balance of payments were sufficient by the fact that exports exceeded imports. Not only this, but the fact that there were a lot of public works for Seoul Olympic in 1988 provide ample funds for market. The rate of increase in money to supply in the second quarter of 1989 was 19.9% over that of the first quarter. In fact many times in the past, an excess supply of money eventually ends up in the speculative real-estate market, thus leading to cycles of land and housing prices hikes.
- 3) In addition to these 3 acts, the Comprehensive Landholding Tax levied on the sum of the value of

all landed parcels that are registered under the same owner, was implemented shortly before new policy measures in the public concept in land were introduced. This tax was intended to increase the tax burden of large land holders, thereby encouraging the disposition of excess lands back to the market.

- 4) One might argue that unequal land ownership is not a problem since land would be owned by someone in the capitalistic countries where private land ownership is guaranteed by constitution. But rapid urbanization accompanies various land development activities which create substantial gains from land value increases. The problem is that these gains only belong to landowners who have a lot of land.
- 5) The Korean cadastre still remains at the level of being a 'fiscal cadastre' and has yet to be integrated with land ownership registration.
- 6) The Ministry of construction managed a law in June 1989 to improve land assessment. Under its provision, a sample of 300,000 parcels nationwide is annually evaluated at full market value by licensed appraisals, and the rest of 24 million privately owned parcels are assessed on the basis of using land price tables.
- 7) The charge = (the price of improved land - price of raw land - development expenses) \times 0.5
- 8) Though the land price started to decline, the level of land price is still very high.

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Key Words (キー・ワード)

The Real-estate Crisis (地価急騰), Land Speculation (土地投機), Land Market (土地市場), Urbanization (都市化), The Public Concept in Land (土地公概念制度)

韓国土地公概念制度の仕組みと土地市場へ与える影響

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1988年、1989年までの2年間地価が68.2%急騰したことや、土地所有が一部階層、とりわけ財閥と一部富裕層に偏重されていたので、土地保有だけによって発生する開発利益は少数の土地所有者に帰属されるわけである。これに対して、1989年末導入された土地公概念制度は過去の政策とは違って、土地問題を土地税制とともに土地所有権への公的介入を通して解決しようとした試みであった。

本研究は宅地所有面積の上限を決め、それを越える部分については超過所有負担金を課して手放しを促す宅地所有上限制度、国家及び地方自治体から認可、許可、免許を得て施行する一定規模以上の開発事業によって、地価が上昇した場合、事業施行者が得た開発利益の一部を国家が還収する開発利益還収制度、社会経済的要因により、遊休土地、更地及び企業の非業務用土地などの地価が上昇することにより、所有者が得る地価上昇利益を租税として還収する土地超過利得税制という韓国土地公概念制度ができた経緯、そして制度の仕組みと内容、さいごに、土地公概念制度が土地市場に与えた影響をいままでの限られた資料に基づいて分析してみようとするものである。