



Tübingen Korean Studies Lectures

튀빙겐 한국학 특강

The Political Economy of Wage-led Growth Policy in Korea

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November 15, 2017 (Wednesday) | 6:00-8:00 PM
Wilhelmstraße 133 | Room 30
in Cooperation with the King Sejong Institute in Tübingen

Abstract: While mainstream explanations point out technological changes as the main determinant of income inequality and admit that globalization has had negative effects on the wage share in advanced economies, the proponents of wage-led growth argue that the declining share of wage income and the increasing share of capital income has been the major cause of stagnation in the global economy after the global financial crisis in 2008. The new government in Korea established after the impeachment of the President Park has adopted a wage-led growth policy as the main theme of its economic policy programs. They have increased minimum wage level and social welfare benefits drastically to accommodate the demand for a more equitable distribution of income and wealth in Korea. But the success of such a wage-led growth will depend on whether such socio-economic condition as institutional maturity for wage-restraint is met. The policy of wage-led growth in a small open economy can be more effective if it is led to increase investment for innovation rather than debt-financed consumption. The case of Korea will serve as an instrumental empirical case since the wage-led growth policy adopted in Greece, Portugal and Italy during 2000s and in Brazil and Venezuela after the global financial crisis in 2008 have by and large failed due to fiscal and financial constraints.

Hak Kil Pyo is Professor Emeritus, the Faculty of Economics, Seoul National University. He has served as Professor of International Economics and Econometrics at Seoul National University since 1981 until February 2013. He was born in Milyang, Korea on February 16, 1948. He earned BA from Seoul National University (1970) and PhD from Clark University (1977). He was Visiting Scholar at Korea Institute of Finance in 2013-14 and Korea Institute for International Economic Policy in 2014-2016.
