**The Future of the Korean Economy: Challenges and Prospects**

**GSIS-SNU**

**Fall 2015**

This course examines policy challenges and possible national strategies for Korea if it were to join the ranks of ‘the most advanced economies’ in the world. Korea has achieved a remarkable economic success during the past half a century. Dubbed the “Miracle on the Han River,” Korea is the first country in the world to successfully transition from an aid recipient to a donor country, thanks to condensed growth strategy. While its success has far surpassed the average growth performances of most developing economies during the past decades, Korea is still categorized as an emerging market economy by some international institutions.

An advanced economy arguably has various defining characteristics such as flexible institutions in line with global norms; policies less prone to crisis; resilient economic system capable of overcoming and dealing with crisis; contributions to global prosperity through active participation in development assistance and global economic cooperation; and respect for universal value by economic agents.

From this perspective, we will consider major challenges for Korea, including

(1) increasing potential output;

(2) undertaking institutional reform in compliance with global norms; and

(3) contributing actively to global and regional economic cooperation as well as preparation for reunification.

Professor: Choongsoo Kim

Lectures: Wednesday 14:30 - 17:20

(Lecture 14:30 – 16:00; Class Discussion 16:20 – 17:20)

Location #203 at 140-1

Office Hours: By appointments

Grading Criteria: Midterm examination, 30%

Final examination, 40%

Class discussion participation, 20%

Attendance, 10%

Readings: Various articles and other shorter readings.

For a fruitful and active class discussion, one and/or two students will be designated as lead discussants. Lead discussants are expected to present their views and understanding about the issues discussed at the reading material and lecture. Group discussions will then follow.

Articles in shaded area denote required reading materials and the rest are recommended reading materials. Lectures will be based upon required reading materials but some interesting issues in the recommended readings will also be dealt with at the lectures.

**COURSE SCHEDULE**

**Introduction**

**Week 1(September 2): Overview**

* Overview of the Course
* Korea’s Journey from an Aid-recipient to a Donor country: ppt presentation

**Week 2 (September 9): Conditions of Success and Policy Reform**

* Daron Acemoglu and James Robinson, 2012, Ch. 1, “So Close and Yet So Different,” *Why Nations Fail*, New York: Crown Business, pp. 7–44.
* Daron Acemoglu and James Robinson, 2012, Ch. 3, “The Making of Prosperity and Poverty,” *Why Nations Fail,* New York: Crown Business, pp. 70–95.
* OECD, 2014, Ch. 1 *Economic Policy Reform* 2014*: Going For Growth Interim Report*, OECD Publishing. [*http://dx.doi.org/10.1787/growth-2014-en*](http://dx.doi.org/10.1787/growth-2014-en)pp. 13-62

**Week 3 (September 16: no class): date and location for the make-up class TBA**

**Part I. Expanding Growth Potential**

**Week 4 (September 23): Growth Potential (1): Sources of Growth**

* Elena Ianchovichina and Danny Leipziger, 2008, “How can Korea Raise its Future Potential Growth Rate?” *World Economics* Vol. 9 no. 4, pp. 129-143
* Sonali Jain-Chandra and Longmei Zhang, 2014, “How Can Korea Boost Potential Output to Ensure Continued Income Convergence?” *Working Paper*/14/54 IMF, pp. 1-15
* Marcus Noland, 2012, “Korea’s Growth Performance: Past and Future,” *Asian Economic Policy Review* 7, pp. 20–42.

**Week 5 (September 30): Growth Potential (2): Regulatory Reform and Innovation**

* OECD, 2007, “Korea Monitoring Exercise: Synthesis”, *OECD Reviews of Regulatory Reform*, pp. 15–45.
* OECD, 2010, Ch. 1, “Reform beyond the crisis,” *Making Reform Happen: Lessons from OECD Countries*, OECD Publishing, *www.oecd.org/publishing/corrigenda*. pp. 11–38.
* Joel R. Campbell, 2012, “Building an IT Economy: South Korean Science and Technology Policy,” *Technology Innovation* No. 19, Center for Technology Innovation at BROOKINGS, pp. 1-9
* OECD, 2014, Ch. 1 “Fostering a Creative Economy to Drive Korean Growth,” *OECD Economic Surveys: Korea 2014*, OECD Publishing, *http://dx.doi.org/10.1787/eco\_surveys-kor-2014-en* pp. 67–99.

**Week 6 (October 7): Growth Potential (3): Rebalancing and Service Sector Expansion**

* IMF, 2010 “Local Challenges in Global Korea: Rebalancing with Leverage,” Selected Issues: *Republic of Korea*, *IMF Country Report* No. 10/271, September, pp. 2–13.
* Joonkyung Ha, Jongwha Lee, and Lea Sumulong, 2010, “Rebalancing Growth in the Republic of Korea,” *Working Paper Series*, No. 224, July, ADBI, pp. 1-28
* IMF, 2010, “Are Korean Households Saving Too Little?” Selected Issues: *Republic of Korea, IMF Country Report*, No. 10/271, September, pp. 14–22.
* Barry Eichengreen, Dwight Perkins, and Kwanho Shin, 2012 “The Changing Structure of Growth,” *From Miracle to Maturity: The Growth of the Korean Economy* Harvard East Asian Monographs 350, Cambridge, Massachusetts: Harvard University Press, pp. 47–104.
* Barry Eichengreen, Dwight Perkins, and Kwanho Shin, 2012 “The Service Sector and Economic Growth,” *From Miracle to Maturity: The Growth of the Korean Economy*, Harvard East Asian Monographs 350, Cambridge, Massachusetts: Harvard University Press, pp. 105–134.

**Week 7 (October 14): Economics of Debt**

* Stephen Cechetti, M. S. Mohanty, and Fabrizio Zanpolli, 2011, “The Real Effects of Debt,” Paper Presented at the Jackson Hole Meeting, August 25–27, pp. 1–34.
* Daniel Thornton, 2012, “The US Deficit/Debt Problem: A Longer Run Perspective,” *Federal Reserve Bank of St. Louis Review* November/December, pp. 441–456.
* Richard Koo, 2011, “The World in Balance Sheet Recession: Causes, Cure, and Politics,” *Real-World Economic Review* 58, pp. 19–37.

**Week 8 (October 21): Midterm exam**

**Part II. Institutional Reforms**

**Week 9 (October 28): Income Distribution and Inclusive Growth**

* Randall S. Jones, 2012, “Meeting the Social Policy Challenges Facing Korea,” *Asian Economic Policy Review* 7, pp. 91–108.
* Randall S. Jones and Satoshi Urasawa, 2014, “Reducing Income Inequality and Poverty and Promoting Social Mobility in Korea,” *Economics Department Working Paper* No. 1153, OECD Publishing. *http://dx.doi.org/10.1787/5jz0wh6l5p7l-en,* pp. 1-35

**Week 10 (November 4): Financial Stability**

* John A. Mathews, 1998, “Fashioning a New Korean Model Out of the Crisis: The Rebuilding of Institutional Capabilities,” *Cambridge Journal of Economics* 22, pp. 747–759.
* Masahiro Kawai and Peter J. Morgan, 2012, “Central Banking for Financial Stability in Asia,” *Public Policy Review* Vol. 8 No. 3, August, pp. 215-246
* Choongsoo Kim, 2014 “Korea’s Experiences with Macroprudential Policies,” *What Have We Learned?*, edited by G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz, Cambridge, Massachusetts: MIT Press, pp. 99–126.

**Week 11 (November 11): Social Cohesion and Labor Reform**

* Selim Elekdag, 2012, “Social Spending in Korea: Can it Foster Sustainable and Inclusive Growth,” *IMF WP*/12/250 October, IMF, pp. 1-20
* OECD, 2013, *Strengthening Social Cohesion in Korea: Assessment and Recommendation,* preliminary version, pp. 1-26
* Randall S. Jones and Satoshi Urasawa, 2013, “Labour Market Policies to Promote Growth and Social Cohesion in Korea,” *Economics Department Working Paper* No. 1068, OECD Publishing. [*http://dx.doi.org/10.1787/5k43nxrmq8xx-en*](http://dx.doi.org/10.1787/5k43nxrmq8xx-en)*,* pp. 1-32
* IMF, 2010, “Labor Market Dynamics in Korea: The Role of Institutions and Shocks,” Selected Issues: *Republic of Korea, IMF Country Report*, No. 10/271, September, pp. 23–42.
* Dao Mai, Davide Furceri, Jisoo Hwang, Meeyeon Kim, and Taejeong Kim, 2014, “Strategies for Reforming Korea’s Labor Market to Foster Growth,” *Working Paper* 14/137, IMF, pp. 1-19

**Part III. Global and Regional Cooperation**

**Week 12 (November 18): Development Assistance and Regional Financial Cooperation in East Asia**

* OECD, 2008, “Development Co-operation of the Republic of Korea” *DAC Special Review,* August 8, pp. 1–27.
* Yunling Zhang and Minghui Shen, 2011, “The Status of East Asian Free Trade Agreements,” *ADBI Working Paper* 282 May, Asian Development Bank Institute, pp. 1–40.
* Raza Siregar and Akkharaphal Chabchitchaidol, 2013, “Enhancing the Effectiveness of CMIM and AMRO: Selected Immediate Challenges and Tasks,” *ADBI Working Paper* 403 January, Asian Development Bank Institute, pp. 1-23
* Rintaro Tamaki, 2013, “The future of the Asian Economic and Financial Community,” *OECD Journal: Financial Market Trends* 2012.2, OECD, pp. 1-12
* Ding Ding, W. Raphael Lam, and Shanaka J. Peiris, 2014, “Future of Asia’s Finance: How Can it Meet Challenges of Demographic Change and Infrastructure Needs?” *Working Paper* 14/126, IMF, pp. 1-25

**Week 13 (November 25): Currency Internationalization**

* Peter Kenen, 2009, “Currency Internationalization: An Overview,” *BIS Papers*, No. 61, papers presented at the joint conference on currency internationalization by BIS & BOK, pp. 1-10
* Kyungsoo Kim and Young Kyung Suh, 2009, “Dealing with the Benefits and Costs of Internationalization of the Korean Won,” *BIS Papers* 61, pp. 151–171, paper presented at the joint conference on currency internationalization by BIS & BOK, pp. 151-171
* Samar Maziad Pascal Farahmand, Shengzu Wang, Stephanie Segal, and Faisal Ahmed, 2011, “Internationalization of Emerging Market Currencies: A Balance between Risks and Rewards,” *Staff Discussion Note* 11/17, IMF, pp. 1-25

**Week 14 (December 2): Preparing for Reunification and Future Prospects: Overall Review Session**

* Goohoon Kwon, 1997, “Experiences with Monetary Integration and Lessons for Korean Unification,” *IMF Working Paper* May, pp. 1-31
* Holger Wolf, 1998, “Korean Unification: Lessons from Germany,” *Economic Integration of the Korean Peninsula,* Institute for International Economics, pp. 165–189.
* Hongtack Chun and Yeongseop Rhee, 2014, “Inter-Korean Economic Cooperation and Economic Cooperation in North East Asia,” *KDI Policy Forum* 257, May 29, pp. 1-18
* Kim, Choongsoo, 2015, “The Future of the South Korean Economy: Challenges and Prospects,” Distinguished Lecture Co-sponsored by The Center for East Asian Studies, The Lauder Institute, and James Joo-Jin Kim Program in Korean Studies, University of Pennsylvania, February 25

**Week 15: Final exam: date, time, and location TBA.**