

The Korean Economy

CREDIT	3	INSTRUCTOR	Doowon Lee
OFFICE	Rm 606, Daewoo Hall	OFFICE HOURS	
TIME	MTWT, 13:30-16:00	CLASSROOM LOCATION	TBA
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[COURSE INFORMATION]

COURSE DESCRIPTION & GOALS	<p>The purpose of this course is to improve the understanding of the Korean and the other East Asian economies in the global perspective. Also, the instructor will help the students to enhance their knowledge about theories of macroeconomics, international trade and economic development by introducing the Korean and the other East Asian experiences.</p> <p>Upon reviewing major models of economic development, this course will examine the century-old economic development of Korea and East Asia. Most of the emphasis will be given to the period after the Second World War. Most of the lecture materials will be devoted to review the evolution of the Korean economy during the last several decades in comparison with other East Asian economies. Major characteristics as well as the most important policy changes of each decade will be explained. Also, more specific topics such as macroeconomic management, fiscal and monetary policy, role of financial market, the Korean labor market, firms and industrial policy, North Korean economy and unification issues, and social issues will be studied. In each subject, relevant theoretical backgrounds will be introduced. Also, international comparisons based on various sources of references will be made as much as possible to enhance the understanding of the lectures.</p> <p>Also, students will organize several groups, and each group will make a presentation (45 minutes including Q&A) in the end of the semester at real-time zoom lecture. Each group will select a presentation topic that is relevant to the lecture.</p>
PREREQUISITE	Principles of Microeconomics & Principles of Macroeconomics
COURSE REQUIREMENTS	Students are expected to read required reading materials (those with ‘**’) and encouraged active participation in the class.
GRADING POLICY	<ul style="list-style-type: none"> - Mid-term exam: 30% - Final exam: 30% - Group Presentation: 20% - Class attendance: 20%

TEXTS & NOTES	<p>Lecture materials will be uploaded in the YSCEC homepage (http://yscec.yonsei.ac.kr).</p> <p>The following references are frequently cited during the lecture:</p> <ul style="list-style-type: none"> - KDI (Korea Development Institute), <i>The Korean Economy 1945-1995: Performance and Vision for the 21st Century</i>, edited by Dong-Se Cha, Kwang Suk Kim, and Dwight H. Perkins (1997). - Sakong, Il and Youngsun Koh, <i>The Korean Economy: Six Decades of Growth and Development</i>, KDI (2010).
INSTRUCTOR'S PROFILE	<p>Doowon Lee</p> <p>Professor, School of Economics, Yonsei University, Korea</p> <p>Office address: Room 606, Daewoo Hall</p>

[WEEKLY SCHEDULE]

WEEK (PERIOD)	WEEKLY TOPIC & CONTENTS	COURSE MATERIAL & ASSIGNMENTS
1	<p>June 29: Quiz on Economics and Korean Economy & Introduction of Key Terminologies</p> <p>Answers for Quiz Questions</p> <p>Korean Economy during the Japanese Colonial Era</p> <ul style="list-style-type: none"> (1) Colonial Era and Its Legacy <p>Introduction of Major Economic Development Models</p> <ul style="list-style-type: none"> (1) Linear Stage Models (2) Two-Sector Model (3) International Dependence Revolution <p>Preview of the Korean Economic Development</p> <ul style="list-style-type: none"> (1) Three Major Achievements (2) How to Explain the Success? 	<p>Refer to macroeconomic data file at YSCEC</p> <p>Refer to the following sources for data:</p> <ul style="list-style-type: none"> (1) World Bank (www.worldbank.org), (2) IMF (www.imf.org) (3) ADB (www.adb.org), (4) Penn World Table (www.ggdc.net/pwt) (5) OECD (www.oecd.org, OECD Economic Surveys Korea), (6) UN (http://data.un.org) (7) Statistics Korea (www.kostat.go.kr), (8) Bank of Korea (www.bok.or.kr) (9) The Economist (www.economist.com) (10) Financial Times (www.ft.com) <p>** Ch. 1 (An Overview of Industrial Development During Japanese Colonial Rule, 1910-1945) of Kim, Kwang-Suk, and Michael Roemer, <i>Growth and Structural Transformation</i>, Harvard University Press, Cambridge, 1979.</p> <p>** Chapter 3, Michael Todaro and Stephen C. Smith, <i>Economic Development</i>, 12th Edition, (Pearson Education Limited, Harlow, England, 2015).</p> <p>*The Economist, "The Great Urban Racket", 2017/4/20.</p>

WEEK (PERIOD)	WEEKLY TOPIC & CONTENTS	COURSE MATERIAL & ASSIGNMENTS
		<p>** Krueger, Anne, “Ch. 7 Korean Industry and Trade over Fifty Years” in KDI (Korea Development Institute), <i>The Korean Economy 1945-1995</i> (1997).</p> <p>* Sakong, Il and Youngsun Koh, <i>The Korean Economy: Six Decades of Growth and Development</i>, KDI (2010). “Ch. 2. The Growth of Korean Economy and the Role of Government”.</p> <p>** Part I, World Bank, <i>The Growth Report, Strategies for Sustained Growth and Inclusive Development</i> (2008)</p> <p>* “Overview” of World Bank, <i>The East Asian Miracle: Economic Growth and Public Policy</i>, A World Bank Policy Research Report (Oxford University Press, 1993).</p> <p>* The Economist, Nov. 12, 2011, “South Korea’s Economy, What do you do when you reach the top?”</p>
2	<p>From Independence to the War</p> <p>(1) Unfavorable Initial Conditions</p> <p>(2) Major Reforms before the War</p> <p>Beginning of Industrialization: Import Substitution Policies of the 1950s</p> <p>(1) Import Substitution Policy</p> <p>(2) Dominant Role of the foreign Aids</p> <p>EP Policy of the 1960s</p> <p>(1) EP Policy of the 1960s</p> <p>(2) Five Year Development Plans</p> <p>The Secondary IS Policy: Heavy and Chemical Industry (HCI) Drive of 1970s</p> <p>(1) Backgrounds of the HCI Drive</p> <p>(2) Achievements and Side-Effects of the HCI Drive</p> <p>(3) Comparison with Taiwan and Japan</p> <p>(4) Overcoming the Oil Shocks</p>	<p>** pp.7-15 of Chapter 1 of Kim, Kwang-Suk and Joon-Kyung Kim, <i>The Korean Economy 1945-1995: Performance and Vision for the 21st Century</i>, edited by Dong-Se Cha, Kwang Suk Kim, and Dwight H. Perkins, KDI (1997)</p> <p>* Ch. 2 (Trade and Aid, 1953 to 1960) of Krueger, Anne, <i>Harvard East Asian Monographs 87, Studies in the Modernization of The Republic of Korea: 1945-1975, The Development Role of the Foreign Sector and Aid</i>, Harvard University Press (1982).</p> <p>**Ch. 3 (The Transition to an Export-Oriented Economy: 1961 to 1965), Ch. 4 (Emergence as a Major Exporter: 1966 to 1975), of Krueger, Anne, <i>Harvard East Asian Monographs 87, Studies in the Modernization of The Republic of Korea: 1945-1975, The Development Role of the Foreign Sector and Aid</i>, Harvard University Press (1982).</p> <p>*Ch. 5 (The Allocative Efficiency of Trade and Aid) of Krueger, Anne, <i>Harvard East Asian Monographs 87, Studies in the Modernization of The Republic of Korea: 1945-1975, The Development Role of the</i></p>

WEEK (PERIOD)	WEEKLY TOPIC & CONTENTS	COURSE MATERIAL & ASSIGNMENTS
	<p>July 8: Mid-term examination</p>	<p><i>Foreign Sector and Aid</i>, Harvard University Press (1982).</p> <p>*Ch 3 (The ABCs of Japanese and Korean Accumulation) of Amsden, Alice H. <i>Asia's Next Giant: South Korea and Industrialization</i> (Oxford University Press, 1989, pp. 6-10).</p> <p>* Ch. 6 (Foreign Trade and the Incentive System) and * "Creating an Export Push" of Ch. 3 of World Bank, <i>The East Asian Miracle: Economic Growth and Public Policy</i>, A World Bank Policy Research Report (Oxford University Press, 1993).</p> <p>**Ch. 2 (Macroeconomic Policy through the First Oil Shock, 1970-1975) and *Ch. 3 (From the Heavy Industry Plan to Stabilization: Macroeconomic Policy, 1976-1980) of Haggard, Stephan, Richard N. Cooper, Susan Collins, Choongsoo Kim and Sung-Tae Ro, <i>Macroeconomic Policy and Adjustment in Korea: 1970-1990</i> (Harvard institute for International Development, 1994).</p>
3	<p>Liberalization and Structural Reforms of the 1980s: From 3 Highs to 3 Lows</p> <p>(1) Stabilization Policies</p> <p>(2) Structural Reforms and Trade Liberalization</p> <p>(3) Favorable External Environments and '3-lows'</p> <p>(4) Democratization and the Korean Economy</p> <p>The Early Half of the 1990s: Growth through High-Costs and Low-Efficiency Economic Structure</p> <p>The 1997 Asian Financial Crisis</p> <p>(1) Causes and Recovery of the Crisis</p> <p>(2) Implications and Side-Effects</p> <p>(3) International Comparisons</p> <p>The 2008 Global Financial Crisis and East Asia</p> <p>(1) Cause of the 2008 Global Financial Crisis</p>	<p>*Ch. 4 (The Political Economy of Adjustment in the 1980s) of Haggard, Stephan, Richard N. Cooper, Susan Collins, Choongsoo Kim and Sung-Tae Ro, <i>Macroeconomic Policy and Adjustment in Korea: 1970-1990</i> (Harvard institute for International Development, 1994).</p> <p>**Doowon Lee, "Korea's Development Strategy in A Changing International Environment: Three Lows, Past and Present," <i>Korea Observer: A Quarterly Journal</i>, Vol. 23, No. 4, pp. 415-435, Winter 1992.</p> <p>**Chopra, Ajai, Kenneth Kang, Meral Karasulu, Hong Liang, Henry Ma, and Anthony Richards (2001), "From Crisis to Recovery in Korea: Strategy, Achievements, Lessons", IMF Working Paper No. 01/154).</p> <p>** Lee, Doowon, "South Korea's Economic Reform after the Aftermath", <i>Global Economic Review</i>, Vol. 30, No. 4, pp. 415-435, Winter 1992.</p> <p>** Reinhart, Carmen M and Kenneth S. Rogoff, "International Aspects of Financial Market Imperfections: The Aftermath of Financial Crises", <i>American Economic Review: Papers & Proceedings</i>, 2003, 93(2), 200-21.</p>

WEEK (PERIOD)	WEEKLY TOPIC & CONTENTS	COURSE MATERIAL & ASSIGNMENTS
	<p>(2) Implications on Korea</p> <p>Strength and Weakness of Today's Korean Economy</p> <p>-Selection of presentation topics for each group</p> <p>Macroeconomic Management</p> <p>(1) Stable Inflation (2) Macroeconomic Balance (3) Disciplined Fiscal Policy</p>	<p>99:2, 466-472 (2009).</p> <p>*World Economic Forum, <i>Global Competitiveness Report</i>, various years.</p>
4	<p>Corporate Sector: Market Structure and Industrial Policy</p> <p>(1) Market Structure and Concentration of Economic Power: issue of Chaebol (14 minutes) (2) Industrial Policy (39 minutes)</p> <p>Issues on Income Distribution and Poverty</p> <p>(1) Measurement of Poverty and Inequality (2) Relationship with Growth (3) Policies to reduce poverty and inequality</p> <p>Labor Market</p> <p>(1) Characteristics of the Korean Labor Market (2) Industrial Relation</p> <p>The North Korean Economy and Inter-Korean Economic Relation</p> <p>(1) The Evolution of the North Korean Economy (2) Recent Status and Prospects for Change (3) Inter-Korean Economic Relation (4) Unification Scenarios and Unification Cost (5) Comparison with German Unification</p> <p>July 21: Group Presentations</p>	<p>** Ch. 7 (Industrial Structure and Policy) and Ch. 11 (Understanding the Korean Management System) of Song (2005).</p> <p>* Anderson, Ronald. C. and David M. Reeb, "Founding-Family Ownership and Firm Performance: Evidence from the S&P 500", <i>Journal of Finance</i>, Vol. LVIII, No. 3, pp. 1301-1328 (June 2003).</p> <p>* Leipziger, D. M. and Peter A. Petri, "Ch. 19 Korean Industrial Policy: Legacies of the Past and Directions for the Future" of Cho and Kim (1994).</p> <p>** Ch. 1 (Introduction) of Komiya, Ryutaro, Masahiro Okuno, and Kotaro Suzumura, <i>Industrial Policy of Japan</i> (Academic Press, 1988).</p> <p>* Westphal, Larry, "Industrial Policy in an Export Propelled Economy: Lessons from South Korea's Experience", <i>The Journal of Economic Perspectives</i>, Vol. 4, No. 3, 1990, pp. 41-59.</p> <p>** Rodrik, Dani, Gene Grossman, and Victor Norman, "Getting Interventions Right: How South Korea and Taiwan Grew Rich", <i>Economic Policy</i>, Vol. 10, No. 20, 1995, pp. 53-107.</p> <p>*Aiginger, Karl and Dani Rodrik, "Rebirth of Industrial Policy and an Agenda for the 21st Century", <i>Journal of Industry, Competition, and</i></p>

WEEK (PERIOD)	WEEKLY TOPIC & CONTENTS	COURSE MATERIAL & ASSIGNMENTS
	<p>July 22: Final Examination</p>	<p><i>Trade</i>, 2020.</p> <p>*The Economist, “The Global Revival of Industrial Policy”, Aug. 5, 2010.</p> <p>* Refer to www.ftc.go.kr (Fair Trade Commission), Korea Economic Research Institute (www.keri.org), an affiliation of the Federation of Korean Industries (www.fki.or.kr). Also refer to www.mke.go.kr (Ministry of Knowledge Economy) and www.smba.go.kr (Small and Medium Business Administration).</p> <p>** Michael Todaro and Stephen C. Smith, <i>Economic Development</i>, 12th Edition, (Pearson Education Limited, Harlow, England, 2015), Ch5. “Poverty, Inequality, and Development”</p> <p>*Sakong, Il and Youngsun Koh, <i>The Korean Economy: Six Decades of Growth and Development</i>, KDI (2010). “Ch. 6. Social Policy”. p.249.</p> <p>**KDI, North Korea Economic Review (various issues)</p> <p>*The Economist, “From planes to mackerel”, 2018/1/25.</p> <p>*The Economist, “Spring release”, 2015/2/28.</p> <p>*The Economist, "30 Years after the Berlin Wall fell", 2019/10/31.</p>