

A Positive Analysis of the South Korean Economy Using a Corrected Boyer Model (Summary)

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Based on comparisons with previous research, this text examines what kind of influence changes in the wage labor nexus had on the dynamics of the South Korean economy, through a positive analysis of the South Korean economy using a corrected Boyer model. The Boyer model here is based on the recognition that high growth in advanced capitalist nations after the war was controlled and adjusted by the wage labor nexus peculiar to that period. However, in recent years, the increased flexibility of employment promoted by companies and governments in developed countries has targeted the “rigid” wage labor nexus of the previous high-growth period and has given rise to a great deal of irregular employment. In light of this point, after verifying the validity of the Boyer model *vis-à-vis* the South Korean economy, analyzing the effects on its dynamics of changes in the wage labor nexus could have tremendous significance in clarifying the problem of irregular employment, which has escalated since the economic crisis.

The system of accumulation in the South Korean economy between 1970 and 2003 as considered in this paper can be summarized as follows.

Firstly, it is thought that the $PR \rightarrow RW \rightarrow Q$ circuit came into play between productivity increases and the expansion of demand in the virtuous circle of typical Fordism (that is, PR and Q showed a positive correlation). With regard to this, although there are moderate increasing returns between output growth and productivity increases in the productivity system (PR), a negative correlation was demonstrated between productivity increases and output growth in the demand system (Q), and it was ascertained that the cumulative growth process between productivity increases and the expansion of demand is being obstructed. Moreover, these results are in keeping with those of Kwan (1998).

Another point that is worthy of attention is the role played by the system relating to the indexation of wages. As has already been mentioned, in the Fordism that has supported the economic growth of advanced capitalist nations since the war, the system relating to the wage labor nexus is thought to have had a significant impact on economic growth through rises in productivity and increases in real wage income resulting from wage growth commensurate with those productivity increases. However, in South Korea, as the results in (4) of Table 1-4 show, the estimated value of the coefficient (k), representing the degree of institutional agreement between employers and employees regarding wage determination, is quite low; this highlights the instability in the wage labor nexus, in the form of the weakness of the mechanism for the productivity indexation of wages, and suggests the possibility that this is, in turn, linked to the destabilization of the system of accumulation.

One particularly interesting point is the fact that we can see from the results of estimates prior to the economic crisis shown in Table 1-5 (comparison with estimates after democratization) that the sign of the correlation coefficient seems to have been inverted since the economic crisis; this suggests that the instability in the wage labor nexus increased further as a result of the increased flexibility in labor and wages that was promoted after the crisis.