

**The Economics of the Korean Peninsula**  
**East 510/Econ 475/Inrl 579**  
**(Spring 2007)**

Marcus Noland

This course surveys economic developments on the Korean peninsula. The main purposes of this course are (1) to provide an overview of the North and South Korean economies, (2) to examine the commonalities and differences in their economic development strategies, and (3) to analyze the prospects for and implications of national unification. Completion of an introductory economics course is a prerequisite.

There is no standard text for this sort of course, and it is difficult to identify readings that are both informative and accessible. The importance of completing the assigned reading material prior to the associated class meetings cannot be overemphasized. Two classes of reading are distinguished: required and supplementary. The supplementary readings are not required but useful for students who want to pursue particular topics in greater depth. They may also serve as springboards for in-class presentations.

Readings have been placed on reserve in the Cross-Campus Library, and some will be uploaded to the class website as appropriate. The following books have been ordered and are available at Labyrinth Books:

Chung, *Korea Under Siege, 1876-1945*,  
Kang and Rigoulot, *The Aquariums of Pyongyang*,  
Noland, *Avoiding the Apocalypse*,  
Graham, *Reforming Korea's Industrial Conglomerates*,  
Haggard and Noland, *Famine in North Korea*,  
Eberstadt, *The North Korean Economy*,  
Noland, *Korea After Kim Jong-il*.

Of course, these books are also available online, sometimes at quite substantial discounts.

Please note that the Haggard-Noland and Eberstadt books may not have been published at the start of the semester, but the publishers assure me that they will be available by the time they are actually needed. I have galleys of both volumes in any event.

The format of the class and the method of assigning grades will depend on enrollment. If there are eight or fewer students, grades will be assigned on the basis of two short papers and associated in-class presentations and participation. If there are nine or more students, grades will be assigned on the basis of a single in-class paper presentation (40 percent) and a final paper (60 percent). The purpose of the paper presentations is to summarize and critique a specific set of readings and point to potential future directions of research and/or policy. Specific modus operandi, possible topics, and schedules, will be discussed during the first class meeting.

Office hours are 2:30-3:30 Tuesdays and 3:30-4:30 Wednesdays at 27 Hillhouse Avenue, room 36. If no one comes to office hours in the first 30 minutes, I reserve the right to go about my business for the remainder of the scheduled time.

## Course Outline

### The Pre-Partition Korean Economy

Young-Iob Chung, *Korea Under Siege, 1876-1945*. Oxford University Press, 2006, chapters 1-4, 8, 10.

Eui-Gak Hwang, *The Korean Economies*, Clarendon Press, 1993 chapter 1.

Begin reading Kang Chol-hwan and Pierre Rigoulot, *The Aquariums of Pyongyang*, Basic Books, 2001.

### South Korea

#### Pre-1997 Financial Crisis:

Tibor Scitovsky, "Economic Development in Taiwan and South Korea, 1965-1981," in Lawrence Lau ed. *Models of Development*, Institute for Contemporary Studies, 1986.

Marcus Noland, *Avoiding the Apocalypse*, Institute for International Economics, 2000, chapter 2.

Edward M. Graham, *Reforming Korea's Industrial Conglomerates*, Institute for International Economics, 2003, chapters 1-4.

#### Supplementary Readings:

Larry Westphal and Kwang Suk Kim, "Korea," in Bela Balassa and Associates, *Development Strategies in Semi-Industrial Economies*, World Bank, 1982.

SaKong, Il, *Korea In the World Economy*, Institute for International Economics, 1993.

Cho, Soon, *The Dynamics of Korean Economic Development*, Institute for International Economics, 1994.

Marcus Noland and Howard Pack, *Industrial Policy in an Era of Globalization*, Institute for International Economics, 2003, chapter 2 section on South Korea.

Mark Clifford, *Troubled Tiger* (revised).

Possible presentation topic: Korea's industrial policy.

1997 Financial Crisis and Its Aftermath:

Marcus Noland, *Avoiding the Apocalypse*, Institute for International Economics, 2000, chapter 6.

Ajai Chopra, et al. "From Crisis to Recovery in Korea," in David Coe and Se-jik Kim eds., *Korean Crisis and Recovery*, International Monetary Fund and the Korea Institute for International Economic Policy, 2002.

Jong-Wha Lee and Changyong Rhee "Crisis and Recovery: What We Have Learned from the Korean Experience?," *Asian Economic Policy Review*, forthcoming.

Edward M. Graham, *Reforming Korea's Industrial Conglomerates*, Institute for International Economics, 2003, chapters 5-6.

Supplementary readings:

Arthur Alexander, *Korea's Capital Investment: Returns at the Level of the Economy, Industry, and Firm*. Washington: Korea Economic Institute of America, Special Studies Series: 2, 2003.

Chapters in Stephan Haggard, Wonhyuk Lim, and Euysung Kim, *Economic Crisis and Corporate Restructuring in Korea*, Cambridge University Press, 2003.

Chapters in David Coe and Se-jik Kim eds., *Korean Crisis and Recovery*, International Monetary Fund and the Korea Institute for International Economic Policy, 2002.

Marcus Noland, "South Korea's Experience with International Capital Flows," NBER Working paper 11381, forthcoming Sebastian Edwards ed. *Capital Controls and Capital Flows in Emerging Economies*.

Possible presentation topics could be developed from individual chapters of the Haggard-Lim-Kim and Coe-Kim volumes to together with the other readings. These might include capital allocation and rates of return running off the Alexander and Krueger-Yoo paper in Coe-Kim, labor market changes, corporate restructuring, international capital flows, as well as other topics.

Relations with the US:

Marcus Noland, "The Strategic Importance of US-Korea Economic Relations," *NBR Special Report* No. 4, National Bureau of Asian Research, 2003.

Jeffrey Schott, Scott Bradford, and Thomas Moll, "Negotiating the Korea-United States Free Trade Agreement," *Policy Brief* 06-04, Institute for International Economics, 2006.

Supplementary reading: Marcus Noland, “The Impact of Korean Immigration on the US Economy,” in Fred Bergsten and Inbom Choi, *The Korean Diaspora in the World Economy*, Institute for International Economics, 2003. Korean emigration could be another presentation topic.

## **North Korea**

### Overview:

Marcus Noland, *Avoiding the Apocalypse*, Institute for International Economics, 2000, chapter 3.

Eui-Gak Hwang, *The Korean Economies*, Clarendon Press, 1993, chapter 2.

Nicholas Eberstadt, *The North Korean Economy*, chapters 1 and 2.

Supplementary reading: Chapters in Marcus Noland, ed., *Economic Integration of the Korean Peninsula*, Institute for International Economics, 1998.

Supplementary reading: Eberstadt, chapters 3 and 4.

### Famine, Bottom-Up Transition, and Reform:

Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform*, Columbia University Press, 2007, chapters 2-7.

Marcus Noland, *Avoiding the Apocalypse*, Institute for International Economics, 2000, chapter 7.

Bradley Babson, “Implications of a “Bold Switchover” in Security Policy for Involving Financial Institutions in Financing North Korean Economic Development,” *Asia Policy* 2 (2006).

Nicholas Eberstadt, *The North Korean Economy*, chapter 8.

Supplementary readings: Stephan Haggard and Marcus Noland, eds. *The North Korean Refugee Crisis: Human Rights and International Response*. US Committee for Human Rights in North Korea, 2006.

International Crisis Group, “Perilous Journeys: The Plight of North Koreans in China and Beyond,” 2006.

Several aspects of the refugee issue, including the Chung-Haggard-Noland survey paper in Haggard-Noland, and South Korean policy toward refugee absorption could form the basis for presentations.

The Babson paper together with one by Leipziger in the Noland edited volume could form the basis of a presentation.

North Korean non-conventional or illicit activities could form the basis for a presentation.

## **National Unification**

### Economic Scenarios:

Marcus Noland, *Avoiding the Apocalypse*, Institute for International Economics, 2000, chapters 8-9.

Nicholas Eberstadt, *The North Korean Economy*, chapters 5 and 6.

### Supplementary readings:

Funke, Michael and Holger Strulik, "Growth and Convergence in a two-region model: The hypothetical case of Korean Unification," *Journal of Asian Economics*, 16:2 (2005), 255-279.

Kerk L. Phillips and Scott Bradford, "The Economic Reunification of Korea: A Dynamic General Equilibrium Model," 2004, *SSRN*.

The Funke-Strulik and Phillips-Bradford papers could form the basis of a presentation by students with a strong background in formal modeling.

### Political Economy:

Marcus Noland, *Korea After Kim Jong-il*, Institute for International Economics, 2004.

Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform*, Columbia University Press, 2007, chapter 8.

Supplementary reading: Marcus Noland, "The Economic Implications of A North Korean Nuclear Test," *Asia Policy* 2 (2006).

A longer version of the Noland paper on the economic implications of the North Korean nuclear program could form the basis of a presentation.

Eberstadt, chapter 10.