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Demographic Changes and Economic Growth in Korea

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Abstract

By using the fully modified ordinary least squares (FMOLS) method and annual data for the period 1970-2003 for Korea, we can find that there exists the demographic dividend of economic growth in Korea. This result implies that the miraculous economic performance of the Korea during the period 1970-2003 can be explained by the influence of demographic changes as well as trade and industrial policies, technological progress, saving and capital accumulation, governance, education, geography and culture etc. However, advantage of the age structure will disappear in the near future. Due to the slowdown of the decreasing young age dependency ratio and rapid increase of the old age dependency ratio, the dependency ratio decrease with increasing rate and is expected to increase after mid 2010s. This may lead the slowdown in the growth rates of the economy. To reverse this trend, an increase in productivity is required but with an aging population this might need particular and persistent effort.

Key Words: Demographic Change, Age Structure, Demographic Dividend, Fully Modified Least Squares

JEL classification: J11, O40, O50