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A lot has already been said on this very big subject, but I would like to make a few general remarks on global income and wealth inequality, and then I may very briefly touch on the Korean situation. As previous speakers have already pointed out, income and wealth inequality have been rising throughout the world during the last three decades or so, particularly in the advanced economies.

One can single out, or at least identify, some underlying forces which contribute to worsening income inequality. First of all, the market based economic system itself has an inherent tendency to bring about income inequality. However, that income inequality may be 'deserving inequality', as the late Nobel laureate Gary Becker alluded to. Even then, inequality as it is today has persistently increased at a higher rate. Then it may become not only a socio political and ethical problem for any society, but it can become an economic problem as well. The other factor is globalisation, together with an ever deepening knowledge based economy. This reinforces the systemic inequality force. I emphasise this because globalisation is not the cause of rising inequality.

Why can inequality then become an inhibiting factor for growth? Previous speakers already mentioned some aspects of this issue. For example, inequality may affect the productivity of the workforce of a nation one way or the other. This is by preventing poorer segments of the workforce from access to quality education or decent health and Medicare services. That will affect productivity and therefore, it will affect economic growth. The worst thing is that it puts inequality into a vicious circle. It certainly creates inter generational income inequity problems. We have to deal with this from an economic perspective, not just from an ethical or socio political point of view. That is the point I would like to make.

Now with regard to Korea, Changyong talked earlier about the rapid growth period of the 1960s, '70s and '80s in Asia as a whole, which is well known. Korea's income distribution was much more favourable than in any other developing country. However, from the early 1990s, Korea's income distribution started to worsen. Interestingly enough, immediately after the Korean currency crisis and the Asian financial crisis of the late 1990s and the global financial crisis of 2008, in terms of the Gini coefficient, income distribution improved for a while. However, the level of income inequity is currently much higher than the level we had in the early 1990s.

Again, I suppose you can think of many causal factors. Global factors, such as accelerating globalisation, together with an ever deepening knowledge based economy, must have contributed. However, I just want to bring your attention to the two structural factors for Korea. One is the educational sector and the other one is the labour market structure. Regarding the education sector, it is a well-known fact that Korean households spend much more money on getting private tutoring for their children as compared to other OECD countries. Under this situation, kids with richer parents will tend to get better access to better tutoring. That certainly must be contributing to worsening income distribution and inter generational income inequity as well in Korea. Improving public education is a critically important policy. Another point I want to bring your attention to is Korea's labour market structure. Currently, the proportion of temporary and part time workers as compared to permanent employees has been increasing rather rapidly. The average wage gap between those two groups is getting wider. As of now, I understand that part time and temporary workers only get around 50-55% of permanent employees.

What are causes? Why do employers and firms prefer to employ part time and temporary workers? The current labor market structure which overprotects permanent workers is an important factor. The Korean Government is currently making every effort to restructure the labour market and reduce the wage gap between permanent and temporary employees. These must be contributing toward Korea's rising income inequality trend.



I want to throw out one more statistics which is rather thought-provoking. That is about South and North Korea. I do not think any of you have seen the Gini coefficient for North Korea, but I want to give you this simple fact. North Korean boys aged between 13 and 18 are 13.5cm shorter than their South Korean peers. Girls are 8.3cm shorter. The difference in weight for males is about 13.5kg, and it is 5,4kg for females, despite South Korean girls' diet.

You know Korea has been a genetically and ethnically homogenous country throughout its history. But the country was divided to become two separate countries. The South adopted market based capitalism and the North adopted Communism. This clearly shows what the market economy can do to the wellbeing of the people.

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We will come back to the connection between inequality and human rights, and certainly your statistics are indicative of the importance of that issue.