

Measures to Promote Regional Economic Growth

by Stimulating Private Spending

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Summary

1. The regional economic growth strategy is shifting its focus from a production-oriented, supply-centered sphere to a consumption-oriented, demand-centered sphere.

- The rise of nationalism and growing uncertainties call for changes in growth strategies at home and abroad. Against this backdrop, the Moon Jae-In administration is pursuing income-led growth policies to create a virtuous system through which income growth translates into greater consumer spending and economic growth.

2. The current administration's income-led growth policy hinges on stimulating consumption, which requires a review and initiative at the regional level.

- Consumption stimulation effects differ by region, due to the close ties to the stimulation of consumption markets, where consumption takes place.

- Accordingly, the application of income-led growth policies must be accompanied by discussions at the regional level on the possibility of policy success and measures for policy implementation.

3. The effects of income-led growth policies vary from region to region.

- By region, income-led growth policies contributed to strong economic growth in regions heavily dependent on private spending but led to a slowing of growth in regions that saw a net outflow of services and goods.

- Income growth is driving consumption growth and subsequently expanding the regional economy. However, policy effects vary according to policy measures and region.

Policy implications

1) (Paradigm shift) Based on the understanding of a structural shift in regional economic growth, the possibility of applying income-led growth policies at the national and regional level should be discussed in-depth.

2) (Promotion and stimulation of hub markets) Consideration is needed to form “consumption areas” where consumption markets are developed in a hierarchical manner with a focus on hub markets in major cities and various goods are supplied to surrounding areas.

3) (Identification of consumption resources in the region) In the case of small and medium-size cities in regions lacking production facilities, social, natural, and humanities assets with regional characteristics need to be tapped as tourism resources.