

Topic and Research Question

This Master thesis focuses entirely on the selected economic aspects of the two East Asian countries – Japan and South Korea. In the dissertation those aspects had been classified and grouped in two main subdivisions. Firstly, the research paper presents the elected issues of monetary policy and its tools used by respective monetary authorities. Secondly, the thesis includes chosen matters of macroeconomics such as economic growth (GDP), unemployment and inflation. The time framework of the research refers primarily to the so-called *post crisis* period which states for the four years of 2010-2013. The choice of this particular time interval was strongly marked by the extremely unfavorable economic conditions that had been present in the last years and their impact to the global economy. Many perceived the Global Financial Crisis 2008- 2009 as the worst economic downturn since the memorable Great Depression in the 1930s. Therefore, the Author believed it to be an absolute necessity to analyze economic performance from the macroeconomic point of view. Selection of Japan and South Korea has its origins in the significance of those two Asian countries and their contribution to the global economy. Being a member of G20 and other international organizations both Japan and South Korea are one of the biggest economies in the world. Moreover, their free market systems and export- oriented structure make them also vulnerable to numerous turbulences that regularly take place. Some of these negative effects within the two states we could see during 2008-2009 and shortly after. Having said that, the research question refers to the comparison of Japan and South and the selected issues of monetary policy and macroeconomic performance. Although this dissertation deals with only small part of such broad topic, it can be nevertheless used as a takeoff for further studies with potentially deeper and broader range of issues.

State of the Art

In the moment of creating the thesis at the beginning of 2014 the topic itself was relatively weakly researched in the literature. In fact, there were very little sources focusing exclusively on the comparison of Japan and South Korea and their experiences with monetary policy and macroeconomic performance after the GFC. It could be possibly explained in three ways. Firstly, it was the freshness of the subject that made it difficult to provide deep and reliable analytical studies. Secondly,

the region of East Asia as a whole, but also South Korea and Japan in particular, went through the crisis rather mildly comparing especially to Europe and the United States. In a consequence, the problematic economic conditions in the latter two caught more attention among the researchers. Even though East Asia was developing with an impressive pace in the preceding years, the European Union and the United States were at this time still the biggest economies in the world if measured by overall GDP. Furthermore, their markets were hit clearly stronger by the crisis than their Asian counterparts. It was perhaps the reason of smaller concern about East Asia in general and South Korea and Japan in particular. Lastly, the choice of researched aspects and countries was defined by personal interest of the Author. Therefore, the overall number of available sources became automatically strongly limited. Having in mind above, in the empirical part of the thesis the Author decided to study the data coming primarily from countries' monetary authorities as well as international organizations such as IMF or OECD. On one hand both Bank of Korea and Bank of Japan provided rich sources in regard to the chosen aspects of the countries' monetary policy. On the other hand the international organizations usually appeared to be a great serviceableness regarding the macroeconomic issues. Combining those two ways allowed to reach the necessary information and subsequently use them in the dissertation.

Methodology and Approach

The dissertation's main approach bases entirely on the comparative method of research. The Author's initiate idea was to present the empirical study in two major steps. Firstly, selected data for the monetary policy and macroeconomic performance would be collected and presented separately for each of the mentioned East Asian countries. Secondly, the previously shown cases of Japan and South Korea would be subsequently set together and compared with each other. This concept was believed to be the most helpful and reasonable in order to appropriate understanding the states' economic condition in the post-crisis period after the Global Financial Crisis.

Main Facts

Data and information that were posteriorly used in the comparison part had been initially presented in chapter 3. This section of the research paper introduced cases

of Japan and South Korea and their post- crisis experiences separately.

According to the two central banks the first four years after 2009 were firmly perceived as a recovery time after the GFC. The regularly presented monetary policy reports suggested that Bank of Japan as well as Bank of Korea often referred to the 2008-2009 time. One of the greatest concern of Japanese and Korea policy-makers appeared to be the psychological factor that was present among the global markets. Namely, it was the lack or very low level of mutual trust not only between public sector actors but also between private investors. Furthermore, both East Asian countries were closely paying attention not only to their domestic economies but also to the other regions in the world. It was the United States and Europe that were especially analyzed in detail. However, there were also facts that appeared to be rather unique only for one of the two Asian states. In Japan it was the earthquake that caused some serious damage in 2011 while South Korea was experiencing somewhat high inflationary fluctuations and pressure over time.

Relatively similar situation could be notice in reference to macroeconomic performance. All the basic indicators chosen for this study – economic growth (GDP), inflation rate and unemployment rate – were perceived also through the prism of results from the crisis. Japan as well as South Korea did try to improve their economic condition and provide safe and sound environment for future development. Although the correlation between monetary policy and macroeconomics was not a subject of this dissertations, it was possible to see that the two fields were still very close each other when it came to economic performance. Bank of Japan and Bank of Korea were creating their monetary policy basing often on the predictions and assumptions regarding i.e. growth or inflation. In a consequence, the results of one aspect had a potential impact on another.

Results

The research provided in the thesis has shown that the direction of both monetary policy and macroeconomic performance was indeed very diversified in Japan and South Korea between 2010 and 2013. There were actually situations where particular courses or indicators coincided or varied from each other depending on the given time interval.

Firstly, this statement was particularly seen in regard to the two mentioned tools of monetary authorities –

assessment of the economic environment and discount rate. In chapter 4., where the comparison of both countries was shown, one could notice that regarding i.e. the central banks' assessments very often likewise and referred to the unfavorable situation both on domestic and global markets. Also the reserve requirements policy appeared to be strongly alike in both countries. In turn, against that position there was a matter with discount rate which direction varied visibly in Japan and South Korea.

In regard to the macroeconomic performance some other scenarios has been observed during the research. On one hand there were indicators like GDP or inflation with their comparatively unlike directions or fluctuations. On the other hand, an unemployment rate presented rather similar course and trend during the post- crisis time 2010- 2013.

Answering the research question we may say that by comparing the monetary policy and macroeconomic performance in Japan and South Korea there were actually many individual cases that presented different results. In the end, one could see some similarities as well as differences in researched cases of the two Asian countries.

References

All of the references can be found in the full version of the MA thesis available at <http://othes.univie.ac.at/>

About the Author

Lukasz Malecki was born in Gdansk, Poland. Between 2006 – 2009 he was attending the Music High School in Gdansk with a major of saxophone. Afterwards he did his bachelor studies with International Relations at the Polish Naval Academy in Gdynia. After 2012 graduation he moved to Austria and became a student of the East Asian Economy and Society at the University of Vienna.

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