Katharina Menz
The East Asian (Un)equal Growth Miracle
Analysing Income Inequality in China and Korea

Topic and Research Question
The topic of this thesis is analysing income inequality in The People’s Republic of China and the Republic of Korea. This analysis consists of two major parts, first, analysing and comparing income inequality measures across China and Korea, and second, investigating and contrasting government actions to reducing income inequality. The observed timeframe for analysing income inequality starts at the beginning of the new millennium and reaches to the present. Thus, this thesis’ research question is the following:

How does income inequality differ across China and Korea since 2000 and what policy actions do the respective governments adopt to tackle income inequality?

Literature review
This thesis reviews a broad range of theoretical as well as comparative empirical literature on income inequality, its definitions, dimensions and measures. The main results of the literature review are an assessment of as well as an axiomatic and practical evaluation of income inequality measures based on their origin, function, benefits and limitations.

Moreover, major publications on government actions reducing income inequality, namely social spending, tax structure and labour market policy are reviewed. Further, income inequality in China has been studied widely, not only by Chinese scholars but also abroad. In contrast, relatively few publications exist on income inequality in Korea indicating research gaps.

Finally, a comparative analysis on income inequality and related government actions across China and Korea has not been found to be conducted yet.

Methodology and Approach
This thesis uses a comparative approach and developed the following theoretical framework based on the findings of the literature review.

Both the literature review as well as the results of this thesis show that income inequality is not a one-dimensional issue, which can be explained by single indices. Instead, it has to be analysed from a variety of perspectives pointing out different characteristics of the income distribution, reflecting the relevance of this approach.

Main Facts
This thesis incorporates and reviews income inequality data from a large number of different sources and thus expanded existing data bases such as the World Income Inequality Data (WIID) base.

Top income shares China and Korea 2000-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.45%</td>
<td>0.45%</td>
</tr>
<tr>
<td>2005</td>
<td>0.45%</td>
<td>0.45%</td>
</tr>
<tr>
<td>2010</td>
<td>0.45%</td>
<td>0.45%</td>
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</tbody>
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Main Results
This thesis demonstrates that China and Korea not only show differences in their levels of income inequality but also in their structure. While China still faces large disparities at the bottom of the income distribution, Korea has experienced a vast increase in top income shares, as the top 10% of Korean income earners have captured more of the total income than their Chinese counterparts for the past decade. Second, this thesis analyses both Chinese and Korean government policies to reducing income inequality in 2018 and 2019. Both governments have increased their policy actions, particularly in regard to progressive taxation and social spending, however, Korea’s commitment to reducing income inequality can be assessed as slightly higher than that of China. Also, evidence for distinctive strategies by the two governments in order to tackle income inequality has been provided. Finally, when considering income inequality in the context of economic growth, distinctive patterns in the Chinese and Korean growth “miracle” have been shown. While the Korean growth “miracle” was characterised by rather equal income growth in the course of economic growth, China’s growth “miracle” has evolved quite contrasting, implying that there is no single kind of East Asian growth “miracle” regarding income inequality. Also, the results suggest that income inequality is shaped by policy-making rather than being a natural process accompanied by economic growth.

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

About the Author
Katharina Menz holds a BSc in Economics from the Vienna University of Economics and Business. During the course of her studies, she spent a semester abroad at the University of Hong Kong as well as the Australian National University and gained work experience in Chile, Austria and the PRC.

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