

Title: Two Different Export-oriented Growth Strategies under a Wage-led Accumulation Regime: a la Truce and a la South Korea

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Abstract

The aim of the paper is to compare the relationship between distribution, growth, accumulation and employment in Turkey and South Korea. These two countries represent two different export-oriented growth experiences. The results of the adjustment experiences of both countries are in striking contrast to orthodox theory, however, they also present counter-examples to catch other in terms of their ways of integrating into the world economy. Thereby they provide examples for comparing different economic policies. The paper tests whether accumulation and employment are wage-led in these two countries by means of a post-Keynesian open economy model, that includes a demand-driven labor market and a reserve army effect in the Marxian sense. The model is estimated in a structural vector autoregression form, in order to capture the complex simultaneous interaction between distribution, accumulation, growth and employment within a systems approach. This model, and the method of estimation are the two innovations of this paper in addressing the crucial policy issues related with structural adjustment problems in developing countries. The results show that a low wage share does not stimulate accumulation, growth and employment. Interestingly, the relation between wage share, investment, growth and employment is similar on both Turkey and South Korea; however, one has ended up with low and the other with high growth rates due to different export-oriented growth strategies. Thus the difference in their economic performance has to be found in the field of institutions, power structures, and state policies.