



# Abstract

## Economic Growth and Wage Distribution

This study consists of two separate parts; Part I focuses on establishing a two-country growth model with different industrial structures and Part II explores the effects of the minimum wage on the wage distribution in Korea.

In the first part, we analyze a neo-Kaleckian North and South model in a stock-flow consistent framework, by relaxing some assumptions in structuralist models. In our model, we analyze a case in which an industrializing country such as China and India exports manufactured products more than traditional primary commodities and its firms adopt markup pricing with excess capacity, while it imports investment goods from an industrialized country. We find that the industrializing economy is still dependent on the industrialized economy and furthermore internal/external shocks could generate larger impacts in the former than in the latter. This implies that an economic volatility would likely be larger in the industrializing economy, in particular, when its growth is sustained by cumulative foreign debts.

In the second part, we examine whether an increase in the minimum wage contributes to reducing wage gaps among workers in Korea. To address the issue, we use a panel regression for wage percentiles with data from the Korean Employment by Type Labor Fact-finding Survey, covering from 2009 to 2018. Through the empirical analysis, we find that an increase in the minimum wage contributes to compressing the wage distribution within industries, especially below the median wage, as well as in the aggregate level. Further, our empirical results show an evidence that a rise in the minimum wage also leads to the compression of wage across labour-specific groups and industries at a given percentile below the median wage. Therefore, the minimum wage could be considered as policy to improve the overall wage distribution, if it has not significant negative effects on employment.

**Keyword**

uneven-development, two-sector model, stock-flow consistent framework, minimum wage, wage distribution