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**Talking Points for:** Kang Dongsoo, Korea Development Institute

A catastrophic event like a financial crisis endangers economic growth potentials. Following both the 1997 economic crisis and the 2008 global financial crisis, Korea’s potential GDP growth rates are estimated to step down by over 1%p, respectively.

The public responses to the crises, however, show large difference. After 1997 crisis many Koreans were willing to participate in various reforms, aiming at regaining economic efficiency. Such all-out reforms helped to recover resiliency, but entailed polarization especially in income distribution. The 2008 financial crisis was a watershed momentum in which those leading economic efficiency turned out to be lucrative rent-seekers at the cost of innocent followers. Thus, most Koreans are more interested in and asking for better distribution based on fairness. We can understand a recent wave of introducing harshest regulations under the presumption of worst case scenarios.

Much strengthened regulations will not guarantee prospective future because they choke off imagination and courage to cope with challenges ahead. Well-structured deregulation schemes, targeting for both efficiency and fairness, should then be deliberately devised to meet social sustainability and public needs.

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\* The views expressed herein do not necessarily reflect the views of the Asan Institute for Policy Studies.