

Research on Different Development Stage Consumption and the Consumption Impact on Sustainable Development in South Korea

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Abstract: Sustainable development has become a cornerstone of global economic progress, shaping the decisions and policies that guide nations today. The economic trajectory of each country, including the current situation, is deeply rooted in its historical development. By examining this historical context, we can better understand the present and make informed predictions about the future. This article delves into the economic evolution and consumption patterns in South Korea over the past 50 years. Through a detailed analysis of historical data, the study seeks to reveal how South Korea's economic strategies and consumption trends have influenced its sustainable development. Furthermore, the article offers tailored recommendations for promoting sustainable growth in alignment with South Korea's current economic landscape. By exploring the intricate relationship between consumption levels and economic development, this study provides valuable insights into how past practices have shaped present conditions and offers a roadmap for future sustainability. The goal is to not only understand the past but also to leverage this understanding to craft strategies that ensure long-term economic and environmental well-being.

Keywords: Consumption, Sustainable Development, Green Economy.

1. Introduction

1.1. Research Background

This paper aims to analyze South Korea's consumption level and structure at different stages of development based on available economic data over the past 50 years (1974-2023) and to explore the impact of South Korea's consumption on sustainable development. As a member of the developed countries, South Korea has a relatively strong consumption capacity among Asian countries. In 2022, South Korea's GDP per capita ranked 9th among the 57 countries and regions in Asia for which data was available [1]. Shin and Whitaker proposed that Korea appears set to maintain its dominant position in the global economy, culture, and even technology [2]. Consumption affects the development of a country and its sustainable development potential by affecting the environment, economy, and society, three important factors in measuring the development level of a country. The changes in Korea's consumption level reflect not only South Korea's economic level at different

stages of development but also its significant role in the economic development of Asia and the world at all stages. Therefore, analyzing this topic can help us better understand Korea's consumption status at different stages and discover the potential causal relationship between consumption and the country's economic environment. In addition, this article focuses on the current hot topic that is very important for Korea's future economic development -- sustainable development.

1.2. Literature Review

Norton proposed that rural earnings increased more quickly than urban incomes during the 1967–1968 decade, and this phenomenon revolutionized rural living and was unprecedented for a developing nation [3]. However, in the long run, Korea has made an economic miracle. At roughly \$150 per year before the 1970s, South Korea's per capita income was just marginally higher than India's. Then, in around the 1980s, it skyrocketed to \$5400, while India's was \$350. With an average income per person of more than \$30,000, the nation now has some of the highest income levels in the globe outside of North America, Europe, and Japan, as shown in Norton's research [3]. Unpredictably, Korea's inflation rate stayed remarkably low from 2012 to 2017. The CPI measured inflation rate peaked at 4% in 2011 and fell to 2.2% in 2012, according to Moon [4]. Income per capita and CPI are both important indices for measuring national consumption levels and analyzing consumption conditions, so these findings by former researchers have revealed the general consumption situation during specific periods.

However, in existing research, most scholars analyze South Korea's economic development and opportunities for rise based on economic policies, macroeconomic regulation, and economic survey data, but few studies explore the impact of South Korea's consumption level in the process of economic development and its reaction to the economy.

1.3. Research Framework

This article starts with the stage of economic development in South Korea, divides nearly 50 years of typical economic time into four general development stages, explores how the economic development level of South Korea at different stages affects the national consumption characteristics and overall consumption level, reveals the correlation between consumption and development, and analyzes how the consumption status at each stage reflects South Korea's sustainable development strategy and how it will further affect South Korea's sustainable development path. The research makes recommendations that can encourage better development of South Korea's economy in historical periods after analyzing the historical economic situation and combining South Korea's current economic situation with historical economic decisions. These recommendations serve as a guide for other nations and regions facing similar development situations.

2. Case Description

The World Bank projects that South Korea's GDP is 1,712,793 million US dollars in 2023, ranking 14th in the world and 4th in Asia. It accounts for 5.57% of East Asia and Pacific's total economy and 1.62% of the world's total. The primary drivers of South Korea's economy are manufacturing and exports, with the electronics (represented by Samsung and LG) and automotive (represented by Hyundai) sectors being the most important. With the continuous development of the economy and the increase in national income, the overall consumption level of Korean people is also on the rise. In tandem with the advancement of science and technology, as well as the changing times, consumption patterns are also changing. One highly successful product of the times is the quick development of e-commerce. Furthermore, environmental-friendly and sustainable development items have gained popularity among Korean consumers as a result of the advocacy of environmental protection by world

organizations and the improvement of national environmental awareness in recent years. Recently, South Korea has responded to international calls and accelerated the pace of green and sustainable development. The goal of the recently announced Green New Deal plan, which will cost around 114 trillion won (94.6 billion US dollars) over the course of the next five years, is to hasten the transition of South Korea's economy and society to a low-carbon economy while also fostering economic recovery following the pandemic. By 2030, South Korea hopes to have completed all of its wind power projects and established itself as a major player in the offshore wind power industry [5]. However, the South Korean economy has unavoidably run into several societal issues as it transitions to a digital and green economy. The most evident ones are the enormous strain on social security that comes with an aging population, as well as the rising unemployment rate and heightened competitiveness that result from technological advancements. Korea still has to follow ongoing creative economic development and the adherence to and application of sustainable development economic growth modes in light of the current state of the world economy.

3. Analysis of the Different Development Stage Consumption in South Korea

3.1. Industrialization and Export-oriented Economy Development Stage (1974-1987)

3.1.1. Economic Stage Overview

Industrialization is the decisive factor and the only way for the development of most economies. Through the initial development of industry, infrastructure construction can be achieved, thereby providing employment opportunities, improving national labor productivity, and laying a material foundation for the development of other industries. In this process, the transformation of the economic structure is achieved, and the further development of the national economy is promoted. Akizhanov indicated that South Korea shifted its focus to the chemical and heavy industries in the 1970s, which accelerated GDP growth and industrial exports [6].

The steel and petrochemical industries were the industrial pillars of South Korea's manufacturing industry at the time; the government encouraged and strongly supported large enterprises in the machinery manufacturing, shipbuilding, non-ferrous metals, and electronics industries, such as Samsung, LG, and other groups, to achieve industrial independence and thus achieve economic take-off.

During this period, South Korea continued to develop heavy industry and construction and even expanded its industrial territory to the Middle East, with Hyundai as a major construction company; at the same time, export trade also increased significantly, but there was a phenomenon of large companies monopolizing trade, squeezing the living space of small businesses.

Prior to the 1970s, South Korea's per capita income was only slightly greater than India's, at around \$150 annually. Then, in the 1980s or so, it shot up to \$5400, compared to \$350 for India, and was far surpassing North Korea, which can also be seen in Figure 1. This period is known in history as the Miracle of the Han River [7].

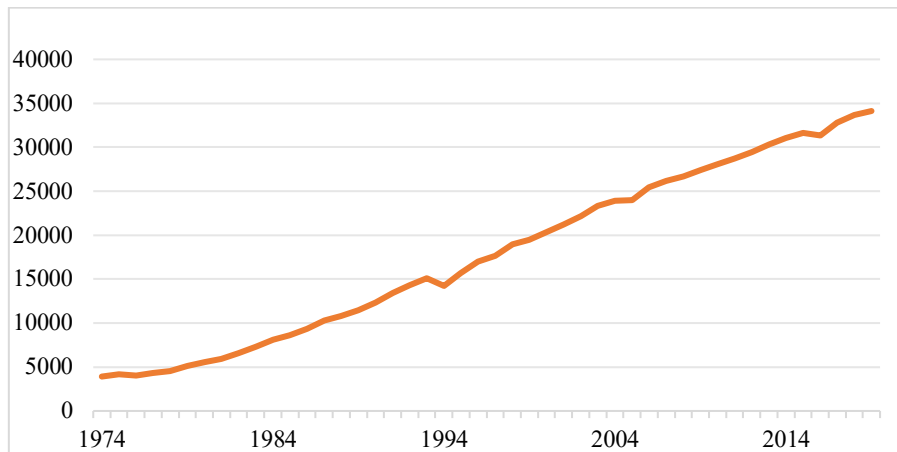


Figure 1: South Korea's GDP per capita (constant 2015 US\$) from 1974 to 2023 [7]

3.1.2. Consumption Situation

During this time, South Korea was still recovering from the war, and most people's consumption was limited to necessities. The demand for and consumption of food is relatively stable and less impacted by economic booms and recessions, according to Hansen [8]. Even though the economy started to recover and develop gradually, national income rose. As a result, overall national consumption remained low, especially the Household and NPISHs Final Consumption, which is shown in Figure 2. Therefore, there was no need and disable for South Korea to pay attention to sustainable development. Consumption was the most important component of South Korea's GDP during this period and accounted for a considerable proportion.

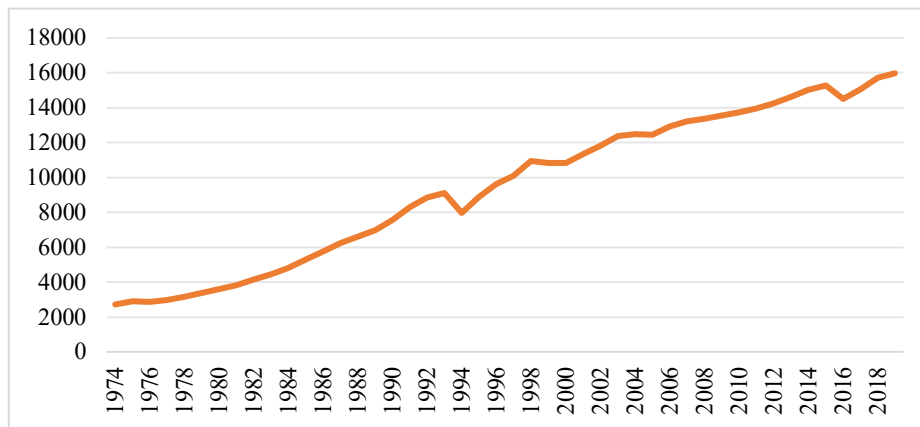


Figure 2: South Korean Households and NPISHs Final consumption Expenditure per capita (constant 2015 US\$) [7]

3.2. Globalization and the Economic Transformation Stage (1988-1997)

3.2.1. Economic Stage Overview

The 1988 Seoul Olympics and the 1997 Asian financial crisis serve as the primary temporal division bases for this economic stage. While the latter had a significant influence on South Korea's brief economic boom, the former helped the country's global commerce process. South Korea's GDP per capita doubled in ten years, according to Figure 1.

Following the fundamental realization of industrialization, South Korea turned its economic attention to the advancement of science and technology. New technologies were incorporated into the previously developed industries of electronics, non-ferrous metals, machinery manufacturing, and shipbuilding, reviving businesses and ushering in the post-industrial era. The establishment of the cultural sector coincided with the satisfaction of fundamental needs.

South Korea joined APEC in 1989 and then became a full member of the World Trade Organization in 1996, marking the further development of South Korea's export trade and its deepening integration into the overall layout of global trade.

3.2.2. Consumption Situation

The necessity for necessities of life has steadily given way to the desire for consumer goods, services, and entertainment products as a result of rising national income and rising living standards. Even though there have been major changes to the national consumption structure and a progressive decline in the share of consumption in GDP, consumption remains the most crucial factor. Consumer demand had also expanded from domestically produced products to imported goods.

3.2.3. Consumption Impacts on Sustainable Development

Economic development and progress mostly come at the expense of resource consumption and environmental harm, regardless of the stage of industrialization or the post-industrial era. South Korea had not paid attention to the importance of sustainable development and had made many economic strategies and development methods that were not conducive to sustainable development because the national economic strategy and national consumption had no chance to be taken into account and were unaware of the damage to the environment and resources.

3.3. Economic Recovery and the Digital Information Stage (1998-2008)

3.3.1. Economic Stage Overview

After the Asian financial crisis, South Korea used a phased approach to major firm reform, economic structure modification, and information industry development. At that time, electronic information goods gained popularity as a result of the growth of the global information economy. It was not unexpected that South Korea redirected economic growth efforts toward the information sector. As closely connected businesses, Samsung and LG actively promoted and raised South Korea's degree of digitization. In 2005, South Korea was included in the list of developed nations by the United Nations Conference on Trade and Development. Despite the slowing down of the growth rate during this time, South Korea's GDP continued to rise to the top of the global rankings.

3.3.2. Consumption Situation

The general state of the South Korean economy has continued to improve, and the country's revenue has been rising gradually, increasing the country's capacity for spending. The demand for electronic devices among South Koreans has grown significantly in the current era of information technology popularization. As international commerce has increased, local demand has increased gradually as well, contributing significantly to South Korea's economic development. However, the proportion of total consumption expenditure in total GDP has also further decreased.

At the same time, South Korea's entertainment industry has further developed, and its related consumer industries are not only popular in China but have also gone abroad to influence foreign entertainment industries and related consumption. Another important component of export trade has developed.

3.3.3. Consumption Impacts on Sustainable Development

At this stage, industrial expansion was no longer the primary industry relied on for South Korea's economic development; instead, consumption was driving economic growth. Additionally, South Korea started to emphasize the significance of environmentally friendly economic growth, therefore advancing the topic of sustainable development as a result of the UN's effort and its awareness of environmental harm. However, at the time, environmental conservation was still a relatively new and unimportant issue. The nation was forced to choose between environmental preservation and economic growth at the same time, which continued to impede the progress of overall sustainable development and create a number of new issues that needed to be resolved.

3.4. Innovation-driven Economy and Green Economy Stage (2009-now)

3.4.1. Economic Stage Overview

The 2008 US financial crisis triggered a deterioration in the global economy and also led the Korean economy to enter a new post-crisis recovery phase in 2009. Following the Great Financial Crisis (GFC) in 2008, South Korea's output and investment decreased; nevertheless, this was mostly caused by a depreciation in real exchange rates. It was seen as a very slight decline in output and investment by Ambrocio, which was followed by a quicker recovery [9]. While the economic crisis provided motivation, South Korea also looked to the environmental crisis for guidance, focusing on sustainable development and the green economy and introducing numerous green development policies, including the Green New Deal plan and green wind power projects. The country's economic development has shifted from being driven by the consumption of natural resources to being innovation-driven, meaning that new ideas are being used to transform old industries in order to achieve environmental protection and energy conservation, such as building new energy industries that keep up with global trends. GDP per capita has increased by 10,000 in US dollars at this stage, which can be figured out intuitively from Figure 1.

3.4.2. Consumption Situation

Korean consumers have started to choose environmentally friendly and green economy products as a result of changes in the overall output of consumer goods and the promotion of the UN's sustainable development and green economy concepts. This increase in demand has furthered the growth of related industries. The growth of the Internet has allowed Korea's entertainment sector to thrive globally, and the country's consumption of entertainment has turned into a very profitable domestic and international consumer good. The increase in national income levels and Korea's economic circumstances is reflected in the continued enrichment of domestic consumer goods. Concurrently, the proportion of overall consumer spending to Korea's GDP has tended to level off, creating a generally consistent economic structure.

3.4.3. Consumption Impacts on Sustainable Development

The advancement of South Korea's green economy and environmental protection industries has facilitated the transformation of South Korea's economic structure into a new era that is better suited for sustainable development. The industry for environmental protection and the green economy's transition have both benefited from the rise in green consumption. Then, a cycle is formed, where demand creates production, and production attracts new consumers. Meanwhile, South Korea has made some steps towards a green economy and sustainable development. The goal of the recently announced Green New Deal plan, which will cost around 114 trillion won (94.6 billion US dollars)

over the course of the next five years, is to hasten the transition of South Korea's economy and society to a low-carbon economy while also fostering economic recovery following the pandemic. By 2030, South Korea hopes to have completed all of its wind power projects and established itself as a major player in the offshore wind power industry [5].

Nevertheless, given the pressing issues of resource consumption and environmental pollution in the modern world, South Korea is still working to strike a balance between its strong consumption capacity and environmental protection industries. The expansion of consumption has a counteracting effect on related industries, for that manufacturing needs plenty of resource consumption, and the emissions during the production process can also harm the environment.

4. Suggestions

The goal of the economic development recommendations based on South Korea's historical consumption and economic conditions is to examine the historical context and offer suggestions for current economic development from the standpoint of sustainable economic development. While it is impossible to alter the past, it can act as a blueprint for future nations or areas going through comparable developmental phases, allowing them to take the good parts and throw out the bad. Dutta announced that countries should have unique strategies suited to their own stages of financial growth in order to achieve sustainable development [10]. Simultaneously, the suggestions for sustainable development for the present and future eras are grounded on a practical viewpoint to consider South Korea's rational approaches to confront social difficulties and prospects for global economic development.

4.1. Suggestion on Economy Development in Industrialization and Export-oriented Economy Development Stage (1974-1987)

South Korea's economy has expanded quickly since the country's founding, and the growth of industrialization, but the country's economic structure has also seen substantial changes. The country's GDP consumption share has decreased dramatically, as shown in Figure 3. In light of the emerging economic conditions, South Korea has the opportunity to increase the size of its consumer base and the proportion of its consumption of food and basic consumer goods by encouraging the production and distribution of these commodities during the industrialization and urbanization processes. Furthermore, encouraging the growth of small and micro businesses while also assisting the large companies' rapid development can result in a more affordable consumer environment for the general public and a consumer market structure that is more favorable to future economic development and would not monopolize or otherwise impede the economy development to a certain extent.

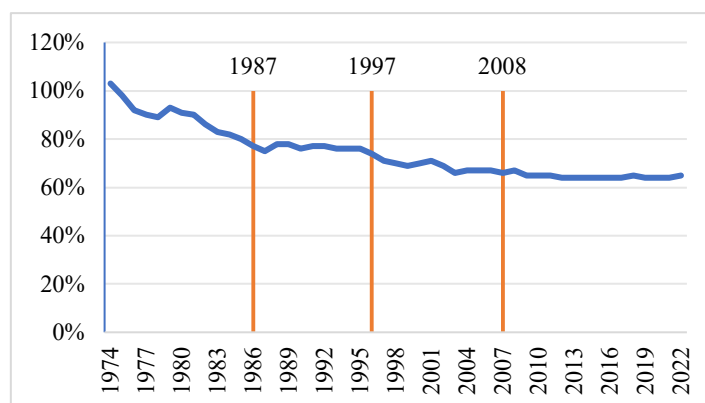


Figure 3: Consumption as a percentage of GDP of South Korea from 1974 to 2023 [7]

4.2. Suggestion on Economy Development in Globalization and the Economic Transformation Stage (1988-1997)

Following 1987, there was a further drop in South Korea's consumption proportion, which was strongly linked to the country's economic structure being adjusted. South Korea neglected the need to build the home market and raise domestic demand during this time, instead focusing on exporting to open up overseas markets. Parallel development of the home and international markets could boost local demand, improve the structure of the economy, and lessen the reliance on exports to propel economic growth at home. Even though there was not enough money to contemplate sustainable development at the time, it would still be better for future economic growth if resource conservation and environmental protection were taken into account as industrialization and urbanization progressed.

4.3. Suggestion on Economy Development in Economic Recovery and the Digital Information Stage and Innovation-driven Economy and Green Economy Stage (1998-now)

During this time, South Korea had a comparatively developed economic structure, and the total share of national consumption in GDP was at a low level and tended to stabilize. South Korea should concentrate on contemporary societal issues, such as population aging and the complete entry of e-commerce into the market, which has squeezed conventional spending, in order to expand the economy further and encourage consumer development. In addition to establishing green development objectives, South Korea can expeditiously respond to contemporary demands and foster swift economic advancement by fortifying social security, endorsing the continued growth of the tertiary sector, and fusing customary consumption habits with the digital economy and electronic commerce. The aging population's life expectancy is ensured by the aforementioned economic development plans, which may raise their need for consumption even more. The tertiary sector's rapid growth is increasing people's consumption of services and recreation goods. In addition to meeting contemporary demands, the consumption model that blends old and modern also preserves traditional consumption. Meanwhile, Ahmed maintained that in order to accomplish the sustainable development goals by 2030, there is an urgent need to revise the goals to take into account concerns about digital technology and the effects of COVID-19 [11].

4.4. Suggestion on Economy Development in the Future Phase

Based on the consumption percentage trend, the short-term forecast for South Korea's share of national consumption in GDP is constant. However, the aging population and global warming will pose serious difficulties to South Korea's economy. The following are some of the economic methods that South Korea can implement to deal with future uncertainty. First, keep pushing for the advancement and usage of sharing economies and green energy sources; second, strengthen the sustainability of the Korean economy by enhancing the energy structure and lowering the country's use of non-renewable resources and greenhouse gas emissions. In addition, a green consuming environment should be established to assist green production companies, advance low-carbon and green consumption, and advance sustainable development at the supply and demand levels. Finally, South Korea would be growing green finance and defining green economic policies, for that digital green finance is proving to be a powerful facilitator of capital allocation toward ecologically sustainable industrial projects. The manufacturing sector's resource efficiency is significantly improved, and carbon emissions are significantly reduced as a result of this strategic capital allocation, as discussed by Han and Zhao [12].

5. Conclusion

5.1. Summary

This article objectively explores the consumption level and main consumption structure of South Korea in different stages of economic development during its economic leap over the past 50 years and analyzes the impact of its economic development status and economic strategy at that time on sustainable development. In addition, by taking a comprehensive view, the article analyzes the strategic methods that South Korea can take to promote sustainable economic development when facing different social and economic problems at different stages of development, providing a reference for similar situations in other countries and regions. Based on the social problems of an aging population and environmental degradation in modern Korean society, the development path of Korea's green economy urgently needs to be further explored in order to respond to the call of the World Economic Organization and promote the country's sustainable development path.

5.2. Research Significance

Consumption, as a major factor affecting a country's development level and sustainable development potential, affects the country's environment, economy, society, and other aspects at all stages of development. In today's era, sustainable development is particularly important. Exploring Korea's consumption level and consumption situation can help us better understand the starting point of Korea's economic decision-making at all stages. At the same time, combined with the economic development needs of each period, we can understand the importance of Korean consumption. As a developed country, Korea's economic development in the past fifty years has not only been particularly important for its own development process but has also had a deeper impact on the economic development process of Asia and even the world through import and export trade. Therefore, whether it is for Korea's short-term economic development and sustainable development promotion process or the sustainable development strategy worldwide, Korea's performance is crucial.

5.3. Limitations

First, making suggestions and speculations about economic development in a historical period based on the economic development of a later period of history cannot actually change the development trend at that time. It is just an objective judgment, taking the essence and discarding the dross. Secondly, the national conditions and needs of each country are actually different. Even in the face of similar economic development periods, it may be difficult to achieve Korea's economic take-off by making the same economic share layout. Finally, the article looks forward to the sustainable development of Korea's economy in the short term, but the social problems that have a profound impact on economic development are difficult to predict, such as natural disasters, large-scale infectious diseases, etc., which will cause severe damage to the economy. Therefore, the suggestions put forward are mostly based on ideal development conditions rather than fully meeting actual needs. Future research may make more detailed explorations and suggestions through longer-term observations and economic situation analysis, as well as the economic development and sustainable development that the world and Korea are currently experiencing.

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