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Efficient Investment Size for the SOC Budget and Projections of the Economic Ripple Effect

Senior Research Fellow **Hojeong Kim**, Associate Research Fellow **Jaesung Choi**

Summary

- 1. Given the trend of reducing investment in the traditional SOC, a positive simulation analysis is required for the propriety, economic ripple effect, future course of investment, etc. of the size of the Government SOC investment after 2018.**
- 2. The estimation of the Government SOC investment under the application of an endogenous economic growth model**
 - The analysis is conducted in light of the basic economic conditions such as the prospects of economic growth, the rate of depreciation of State finance management plans, etc.
 - The GDP to SOC investment ratio that maximizes economic growth is estimated to be 2.52 – 2.69%. Achieving this rate requires KRW 44.7 trillion – 53.4 trillion on an annual basis – i.e., approximately KRW 234.9 trillion – 252.9 trillion would be required for five years.
- 3. The analysis of the interindustry relation can generate projections for the ripple effect of the Government SOC investment in the economic and employment sectors.**
 - **(Investment made in SOC in accordance with the difference between (a) the appropriate amount of SOC investment which maximizes the economic growth rate, and (b) the Government budget available for investment)** The economic ripple effect is anticipated to be approximately KRW 10 trillion – 35.6 trillion per annum, and the number of working persons including those who work with or without wage is expected to increase by approximately 48,000 – 172,000 persons on an annual basis.
 - **(Investment of the appropriate SOC budget to maximize the economic growth)** The economic ripple effect is anticipated to be about KRW 131.6 trillion – 157.2 trillion per annum while the number of working persons is expected to increase by approximately 639,000 – 764,000 persons on an annual basis.

Policy Plans

- ① (Establishment of a financial plan in consideration of the size of the SOC investment)** The research result will be used to establish the Government's finance management plan such as the plan to manage State finances, the Government budget proposal, etc. In the mid-/long-term, it will contribute to the increase in the efficiency of the State SOC financial investment.
- ② (Establishment of an investment plan in response to changes in conditions in the future)** In order to secure enduring financial resources for SOC investment, a mid-/long-term SOC investment plan is established and respond to changes in conditions such as the climate.
- ③ (Analysis of the size of investment appropriate for life SOC and the ripple effect)** Calculate the amount of investment appropriate to construct the life SOC with respect to local tourism infrastructure, welfare facilities, sports-for-all facilities, and urban renewal, which are popular among the Korean nationals. Intensify the analytical research for the economic ripple effect thereof.
- ④ (Emphasize the impact of the positive impression of the SOC investment)** SOC investment contributes to job creation and income generation during economic recessions. SOC investment should be recognized anew: by building and operating infrastructure that matches that of developed nations; contributes to the improvement of the quality of life of the Korean nationals; and the potential growth rate for the future.
- ⑤ (Establish 'SOC Data Research Center' (tentative name))** An 'SOC Data Research Center' (tentative name) to be established for SOC investment and management based on systematic data, and the measures of operation thereof to be prepared.