Panel 4.4: Ecological and Social Patterns of Consumption

**An Estimation of the Optimal Price of Beer in Korea**

This study aims to estimate the optimal price of beer in Korea. In the demand equation, the dependent variable is the beer consumption and in the inverse demand equation, the dependent variables are the prices of 500 ml discounted beer and 500 ml premium beer. We used WHO’s data from more than seventy countries. Based on estimated results, we evaluated the beer price in Korea by comparing it with beer prices in other countries. The results of our empirical study suggest that the beer price in Korea is relatively low compared with other countries. The current beer price in Korea is 1,400 KRW. To make it equivalent to other countries’ beer prices, the beer price in Korea should be raised to 2,200 KRW.

In January, 2015, the Korean government increased tobacco price by as much as 2,000 KRW after 500 KRW price increase in 2004. The price increase of addictive goods, such as tobacco and beer in Korea, should be considered complimentary in order to decrease demands for these two products, which hopefully would result in people’s health condition improvement in Korea.