

## LETTER FROM THE EDITOR

With ongoing corporate and financial restructuring, jitters in the financial market, and the uncertain fate of some major companies, the Korean economy looks to be in for further struggles. This month's VIP Millennium Report gives a detailed view of some of key issues that concern the economy.

The Korean Macroeconomy section looks at the movement of real economic indicators such as production, facility investment, and domestic sales, to note a slowdown in growth. Although the economy is still on an upswing, the peak of the business cycle is in sight. To cope with the changing situation, the article recommends a quick and decisive completion of restructuring, improvement of dialogue between government and labor, and strengthening the social safety net.

In the Korean Financial Market section, the recent fluctuations in Korea's stock, bond, and foreign exchange markets are examined. Both the Korea Stock Price Index and the tech-heavy Kosdaq fell to their lowest points this year. In the money market, both government and corporate bonds maintained stability in October, while the interest rates on junk bonds show that the money market is becoming more polarized. Meanwhile, the won/dollar rate rose marginally because of external factors.

The four articles in the Current Issues explore different facets of the Korean economic and corporate reality. The first article analyzes a recent survey by Hyundai Research Institute on consumer confidence. It shows that consumer confidence and expectations increased until the fourth quarter of 1999, but have declined since. The value of assets held by consumers have also fallen. To prevent a hard landing of the economy in the coming months, the article recommends a flexible monetary and fiscal policy as well as improving confidence in restructuring.

The second article examines the effect of the partial deposit insurance policy, which will go into effect in January next year. The policy is expected to result in capital outflows from unhealthy financial institutions into competitive domestic or foreign banks, but not much capital is expected to enter the domestic stock or bond markets. While this new policy has reassured the market about the government's commitment to restructuring, the government should try to minimize the shock to the financial market.

Inequality in people's use and access to digital technology is the focus of the third article. It finds that high income earners, the young, the highly educated, and males are more digitalized than low income earners, the elderly, the less educated, and females. These groups all have different reasons for their gap in digitalization. Another finding is that there is more difference in the use of digital technology than in access to digital equipment.

The last article in this month's issue examines the collapse of the lifetime employment system in Korea. The concept of a lifetime workplace is being replaced with the idea of a lifetime profession, where a worker may move to another job to maximize his potential. Both workers and employers will have to adjust to the shift in the employment structure. **VIP**