

## LETTER FROM THE EDITOR

Recently, domestic consumer and business expectations indexes have shown improvement, indicating positive outlook for the economy. However, instability still lingers in the financial market with the floating of funds in the market. Also, the real economy, as indicated by consumption, production, and investment, is recovering very slowly. Added to a mixed forecast for economic recovery in the US, the prospects for an early recovery in Korea are unclear.

This month's Korean Macroeconomy section of the VIP Millennium Report considers whether a consumption stimulus policy would help revive the economy. The article explains why a stimulus policy is needed and the merits of stimulating consumption as opposed to other variables. Data from two recent empirical studies support the article's argument.

The Korean Financial Market section looks at the reasons for the recent volatility in the bond market. Factors such as inflation expectations as well as the money market funds of domestic investment trusts are examined. The article also looks at the prospects for interest rates and suggests policy measures for stabilizing the financial market.

The first article in the Current Issues section looks at the role of plant exports in a future business recovery. Trends in the plant market are analyzed and reasons to expand plant exports are examined. Suggestions for effective expansion are listed in the article's final section.

North Korea's electricity shortage is the focus of the second article. Details of the electricity shortage, its causes, and North Korea's policy responses are examined. In addition, the article looks at South Korea's plans for electricity support as well as prospects for inter-Korean electricity cooperation in the short, middle, and long term.

Corporate governance is the topic of the third article. Referring to a recent survey of firms listed on the Korea Stock Exchange and the Kosdaq, the article examines several corporate governance issues: the functions of the outside director system and the board of directors, the activities of minority shareholders, and cumulative voting rights. In the conclusion, the article suggests ways to create a corporate governance system that fits a firm's culture and management style. **VIP**