New President Park Geun-hye promised to increase the middle class to make up to 70 percent of the population. In order to do this, the new government is supposed to implement various measures. The first is to help reduce the financial burden on households. Increasing, protecting, and upgrading jobs will be the second. The third measure is to help small and medium-sized enterprises be competitive.

In order to reduce the financial burden on households, Park promised to provide subsidies for the households that are suffering from huge levels of debt and high educational expenses.

Other measures also focus on helping and subsidizing people who are in need. But do these measures truly contribute to an increase in the proportion of the middle class?

To answer this question, we need to define what the middle class is. The middle class is classified as the group of households whose income lies between 50 and 150 percent of the median income according to the definition provided by the OECD. In terms of this definition, the proportion of the middle class is highly dependent upon the level of income inequality. Korea has been industrialized since the 1960s. Since then the middle class in Korea was formed and developed, and the proportion of the middle class increased until the mid-1990s. Rapid economic growth and industrialization contributed not only to the formation of the middle class but also to the increase in the proportion of the middle class. However, since the mid-1990s it appeared that the proportion of the middle class has been decreasing. According to the research, it was 75.4 percent in 1996 but in 2010 the middle class shrunk to 67.5 percent of the population. Other sources also estimated that the proportion of the middle class is between 55 and 65 percent. Regrettably economic growth and globalization are the factors that have contributed to the decreasing trend in middle class. Low economic growth and the lack of structural adjustment in the weak sectors such as the low-skilled manufacturing sector have limited the creation of good quality jobs.

Low economic growth will limit the increase in investments and employment and then the stagnation of the income level. Thus, it will encourage the downfall of households from the middle class to the poor. Since the currency crisis in the late 1990s, we have seen an increase in the number of self-employed people for mom-and-pop stores, the stagnation of the productivity and profitability in the small and medium-sized manufacturing sector, and the highly protected full-time workers due to the inflexible labor market that caused an increase in the number of part-time workers and limited the creation of good quality jobs.

Globalization, especially the expansion of trade with China, also contributed to the decreasing trend of the middle class. At the trade with China expanded since the 1990s, Korea lost its comparative advantage in the labor-intensive light manufacturing sector. It resulted in massive job losses and reduction in incomes of people who used to work in that sector. Combined with the lack of structural adjustment for that sector and the inflexible labor market that limit the move of labor between sectors and the creation of jobs, the increase in trade with China played a role in causing the proportion of the middle class to decrease. The existence of stable and relatively affluent middle class is indispensable for the market economy and democratic society.

According to the results of various studies, as the proportion of middle class grows, the influence of interest groups and the level of corruption decreases. Thus, we need to reverse the decreasing trend of the middle class. The best way to restore the middle class is to boost economic growth. Regulatory reform and measures for encouraging competition for economic growth will also increase the number of innovative enterprises and high value-added companies in the service sector, which will create more good quality jobs.

US, Japan intensive currency wars

GLOBAL ECONOMY

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Several central banks around the world continue to implement aggressive monetary policies in order to minimize deflation risks, overcome the credit crunch, and provide an impetus for economic growth. These actions, though largely needed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming global economy, have caused numerous conflicts, dubbed in the context of an underperforming 

The territorial protection, no matter how small, cannot be eliminated overnight. Although it is challenging, the right direction is to restructure the authorities spread with multiple ministries and consolidate them into a one-stop service authority.

The number one obstacle SMEs face day in day out is the lack of resources.

The more chaotic and fragmented the world becomes, the more important it becomes to create a competitive environment that empowers businesses to compete.

The brutal reality is that globalization is not necessarily a win-win for everyone. Many developing countries are being left behind. A policy recommendation should be based on clear empirical evidence and at least sound economic rationale.

It would be a big mistake if it is based on public sentiment and criticism towards big companies. I wish I had a crystal ball. We all hope for the best but prepare for the worst.

Multifaceted fundamental issues can be addressed by going back to the basics. First, government run tubes should be minimized although it cannot be entirely eliminated overnight.

Although it is threatening, the right direction is to restructure the authority spread with multiple ministries and consolidate them into a one-stop service authority.

The recent move by the commission on shared growth seems in favor of protection of small and medium-sized enterprises (SMEs) including mom-and-pop stores. It also seems to go in line with current public sentiment toward big companies. The lines are drawn clearly and specifically between businesses suitable for SMEs and those not suitable for big companies. From now on how much a big company already in the business suitable for SMEs can grow annually.

Practically speaking, big companies were under great pressure with not much choice but to tone down. What if this trend continues for the next five years? Let's imagine it is now the year 2018. A joint scenario might look like this. SMEs grow well under protection and become competitive enough to compete with big companies. They don’t need protection any longer. SMEs can even compete with big companies at the national and global level.

More jobs are created and higher economic growth is achieved. As a result, consumers enjoy more diverse, better quality and cheaper products.

At the end of the day, everyone is better off and happy with the outcome.

Then what would happen if the worst comes? The global economy is suffering from structural and need protection, maybe, more and for a longer time. They can’t blame big companies for the collapse. It requires a serious mindset change among big companies themselves. It starts with work to get buy-in from shareholders and top managers. It takes time and should have taken place yesterday.

Most importantly, SMEs should realize that government protection, regardless of the legality or legitimacy, is not a long-term solution. They can’t blame big companies for every difficulty they face.

The territorial protection, no matter how small, cannot be eliminated overnight. Although it is challenging, the right direction is to restructure the authorities spread with multiple ministries and consolidate them into a one-stop service authority.

They need to make their own choice about what to do and focus on what they can do and how to be competitive.

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