


Paradigms for Growth in the Age of the New Normal



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Low growth and deleveraging have become the “new normal” in the aftermath of the post-2008 global financial crisis. As governments increase financial regulation in order to lower risks, investment and consumption have naturally begun to decline. In an age where low growth is the norm, emerging economies suffer more than their advanced counterparts. The former still require massive investment to improve their living conditions in response to the rising domestic demand. South Koreans also find it difficult to adapt to the low and stagnant growth rate. Koreans still harbor a great desire for a better future and better living. They have been accustomed to high economic growth rates over the last few decades and thus find it excruciating to accept the prospects of a future that promises no

improvement. It is therefore crucial to develop a new paradigm that can promote growth even in this age of the new normal.

The Korean government's answer to this call is creative economy. The concept can be summed up as referring to developing new processes and products by converging existing techniques and methods in new ways. The aim is to pioneer new markets so as to foster economic growth and create jobs. Creative economy as a paradigm, however, provides a guideline only on the question of "how", leaving it up to individuals and businesses to determine the contents of their endeavors for the new economy. It is still a mere slogan without a definite substance, and may manifest itself in quite diverse ways from sector to sector and industry to industry. Its demand for the creation of new ways ultimately boils down to the demand for innovation, which is easier said than achieved.

Another paradigm for economic growth that is gaining attention recently is structural readjustment, i.e., narrowing down the wealth gap and boosting the middle class by altering the structure of income distribution in a society. The assumption is that the increased amount of disposable income in middle-class households will translate into more consumption, which, in turn, will serve as a new source of growth. The increasing gap in income has become a definitive feature of the post-2008 world, amid the spread of neoliberalism and the global financial crisis. A report released by the Organization for Economic Cooperation and Development (OECD) in April showed that the aggregate income earned by those in the top 10 percentile in the 34 member states of the organization was 9.5 times as great as the aggregate income of those in the bottom 10 percentile. The gap is widening still. The gap in Korea is 10.5 times, which is higher than the OECD average.

Even the OECD and the International Monetary Fund (IMF) have recently begun to emphasize the need to readjust the income structure, warning that failure to halt income polarization can pose a major obstacle to the prospects of growth. The Korean government also discusses the issue as part of the ongoing debate on economic democratization. Yet the readjustment of the income structure is clearly a zero-sum game and a political minefield. It is realistically not possible to readjust the structure of income distribution in a sufficiently short span of time that is necessary to launch a trend toward growth.

In this day and age of the new normal where low growth is a universal phenomenon, the Korean government has managed to start the pursuit of the two commendable ideals of crea-

tive economy and economic democratization. Yet the government needs to concentrate much more resources and will on these ideals in order for them really to work. Neither ideal would become a leading paradigm unless it is backed by wide social acceptance and support.

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