〔Book Review〕

Die Bedeutung des Bankensystems für die wirtschaftliche Entwicklung Südkoreas von Hi-Young Cho

Schriftenreihe zur Industrie und Entwicklungspolitik, Bd. 22 Duncker und Humblot, Berlin 1977, 219 Seiten

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The work under consideration deals with the role South Korea's banking system plays in the mobilization and canalization of domestic savings with respect to the necessary self-financing of the development process.

This problem is becoming more and more important as a result of the stea dy reduction in foreign capital transfer during the past years.

In the first part Cho gives a brief, general survey of South Korea's sociological and economic foundation. He describes the historical and political development, gives very detailed demographical information, examines the roots of South Korean entrepreneurship and gives a macroeconomic analysis of South Korea. In this expansive although somewhat outdated-account the author finds first tasks of the banking system, taking into consideration the extent, the type and problems of demands on as well as offers to bank services.

The second part of the work deals with the history, structure and functions of the South Korean banking system. In the first section an overview of South Korean banking history is presented, beginning with the establishment of the first Japanese branch in 1878 and concluding with the year 1971. This is followed by a description of the institutional structure and the functions of the banking system. Cho first examines the Central Bank—the Bank of Korea—then the special banks KDB, MIB, KEB, Folks Bank, Korean Bank for Housing, the Agricultural Cooperatives Federation and the Fisheries Cooperatives Federation. He then introduces the general business (commercial) banks and local banks. An important finding of the author is the banking system's enormous dependence, especially the special banks, of the government.

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The third part is devoted to the importance of the banking system within the framework of economic development. In the first section of this part Cho examines the Bank of Koreas' monetary instruments (classical Central Bank-means and Korean special means) with respect to the importance to the economic development. Here, he comes to the not surprising conclusion that the classical instruments of a Central Bank —refinance policy, minimum reserve requirements and open market operations—can be hardly considered to be effective. Only the Korean specical means—ceiling system, currency stability account and regulation of banking interest—are effective according to the author.

In the following section of part three the importance of the banking system to the industrialization process is examined. The focus of this section is centered on the limited capital formation resulting from the low-leveled GDP and the subsequent task of the banking system to find new ways to mobilize domestic savings. The last section of the third part deals with the importance of the banking system to the development of the primary sector. Cho is convinced that the "Agricultural Cooperatives Federation" and Fisheries Cooperatives Federation, which are the established special institutes of the primary sector, cannot satisfy the credit need for necessary investments in modernization and that therefore the banking system has to finance compensatorily.

In the fourth and final part possibilities for and limitations of the banking system for the promotion of the macroeconomic development are noted. In the first section of this part the possibilities and limitations of mobilizing savings through the banking system are examined. The author here carefully brings out the obstacles to a higher mobilization of savings capital. He comes to the conclusion that poor ability to save, the lacking will of the public to save money, continuous high inflation, the traditional savings community "kye", the lacking banking habit of the public and finally the lack of special institutions like savings banks hinder the mobilization of sufficient financial resources by the banking system.

In the second section of the fourth part Cho examines the development possibilities of the South Korean banking economy with regard to a possible acceleration of the macroeconomic development process. Moreover, a series of suggestion are made, which all, however, exclude stronger influence from the government. Cho complains repeatedly that the government regulates all banking business, leaving only a minimum of freedom to banks with the result that necessary innovations in the banking sector are omitted.

In the last section of the fourth part the developmental possibilities of the capital market (stock exchange) are investigated. The author is convinced that the market for long-term bonds (stocks) in Korea can be described more likely as underdeveloped at the time.

The final part of the work summerizes the major results and shows the resulting possibilities of mobilizing domestic saving through the banking system. As prerequisite for bank activity in this line Cho designates an energetic an inflation policy of the government and the central bank. Only the security and value stability of deposits would induce the saver to continue saving. In general it would be necessary to interest a wide social stratum in mobilizing savings for the economic development. In connection with this the unorganized capital market (traditional "kye") should also be integrated into the organized system.

The author sees a further possibility in governmental assistance in setting up a wide expanding network of savings banks and branches, which, by being located in rural districts, also reach the far away saver.

Lack of capital, which, within a short time at least, will not be solved, moves the enterprises, according to the author, to finance themselves increasingly through bank credits.

They therefore become more and more dependent directly of the commercial banks and thus indirectly of the Central Bank, and thereby of the government.

As Cho acknowledges a banking system that is independent, with institutions that are competitive with one another, to be very effective, he supports a more liberal monetary and credit policy of the government that is free from administrative influence.

According to the author, the direct way of industrial financing by issueing of shares and industrial bonds is to support.

The critical reader will welcome without a doubt the exhaustive scope of information that is given in this investigation of South Korea. It is hard to imagine that a more detailed presentation of the examined object, which is specifically related to one country, can be done within the bounds of the German language.

However, to persons informed in this matter, the explanation of the inefficient performance of the financial infrastructure seems too narrow. The fiscal infrastructure and its significance in financing development, for example, is completely left out of consideration. Perhaps the author should not be reproached, however, for not dealing in his doctoral dissertation with other Third World countries. But other Third World Countries have already implemented the author's fundamental suggestions and therefore have more detailed experiences, which without doubt would have been useful to the work under consideration.