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Vortex of the Korean Financial Crisis

Douglas Kim
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There are many recent books about the American economic crisis, but few have been written about the economic situation in Korea. Vortex of the Korean Financial Crisis fills the void with an in-depth analysis of the current situation and recommendations for the future. As one of the three major Asian economies, Korea is being impacted by the global credit crisis of 2008, and the effects could be more severe and longer lasting than people realize.

"Will Korea control its debt or will debt control Korea?" is the central theme of this book. Author Douglas Kim aims to educate Korean families about upcoming inflation and interest rate hikes and how they can prepare to deal with them.

Kim is a native of Seoul, South Korea, and has over thirteen years of experience in industry analysis. He worked as a director of Crane Partners, a hedge fund investing in Korean companies, and at Korea Investment & Securities as the head of international equity research. Kim was also an analyst at ING Barings and Credit Suisse First Boston in the mergers and acqusitions and equity research departments.

Vortex is well written and its concepts are explained in language that's easy to understand. As one might expect from an economics book, it's filled with relevant charts that illustrate savings rates, debt ratios, and more, and they're clearly explained in the text. The book focuses on the foreseeable future, and its strength is in the breadth of the analysis and recommendations on how to avoid potential debt problems stemming from the current economic crisis.

While most of the charts refer to South Korea and there are few specific references to North Korea, it isn't clear what the author means when he refers to "Korea," as he does throughout the book. Readers are left to wonder whether there are differences in the economic impact of these challenges in North Korea versus South Korea due to governmental or other factors.

Kim examines the trend of declining savings by individuals and the impact of rising interest rates on households, businesses, and government. He analyzes the effect of the decline in Korean population growth on tax revenue, debt paydown, and economic stimulus spending. He predicts the impact to the real estate market if the floating-rate interest rate skyrockets, including housing foreclosures and declining use of the chonsei system in Korea (buying real estate for rental). And he cautions that the likelihood of oil depletion and skyrocketing energy costs could further impact the economy because Korea lacks national resources such as oil, natural gas, and coal compared to other Asian countries.

The book's best attribute is that it offers ten key recommendations for avoiding or mitigating the risk of these potential problems. Kim advocates reducing the overall amount of debt and reducing reliance on floating-rate debt by converting it to fixed-rate debt. "Korea should attempt to grow the economy in a more conservative manner by reducing reliance on foreign credit markets," he writes, later adding, "given the strategic importance of manufacturing, greater effort should be made to urge companies in Korea to retain the manufacturing base in the country."

Economics students, investors, and Korean citizens should find this book helpful in learning about the influencers on the Korean economy, the reality of the current situation, and what steps can be taken proactively to avoid potential problems in the future.

CINDY KRYSZAK (July 1, 2010)

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