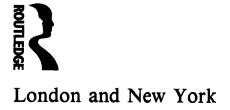
# international ONEY & BANKING



Taeho Kim

### International money and banking

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#### **Preface**

This book is intended as a textbook in international money, banking, and finance and is based on lecture notes originally developed for a one-semester course in international banking at the American Graduate School of International Management. It has evolved as a cumulative result of over a decade of teaching and research in this field.

Despite the fact that the money and banking markets in individual countries are becoming increasingly interdependent, we find that most text-books in the field treat the subject matter as if each economy were a closed one. Even when international topics are incorporated, at least in some books, it is often done seemingly in an afterthought fashion.

This book is suitable for use as a textbook in an MBA-level course in international money and banking. It is also suitable for a course in international finance offered by Economics Departments if Chapters 3, 10, 11, 12, 13, and 14 are omitted. In addition, it may serve as a reference book for bankers and financiers who wish to become familiar with some analytic treatment of topics and techniques in this field. As for prerequisites, some basic understanding of money and banking is helpful. Calculus is marginally used in Chapters 2, 4, 7, and 12, although it is by no means necessary to understand the topics conceptually.

In developing the original set of notes into a book, I had two general objectives in mind. The first was to produce a reasonably self-contained money and banking textbook with an international dimension. For this purpose, I have introduced a summary of closed-economy topics at the beginning of some chapters, where necessary. Such chapters then proceed to concentrate more on international topics.

My second objective, sometimes difficult to reconcile with the first because of the need to allocate limited pages among competing topics, was to produce a book which incorporates recent significant developments in international banking as much as possible. Yet, special attention has been paid in order not to exclude important traditional topics.

This book reflects many suggestions and insights provided by numerous bankers and economists in the field. The initial insights on the actual workings of the international banking market were provided by guest speakers who participated in the three-week International Banking Conferences which were organized as special winter courses under the auspices of the Bankers' Association for Foreign Trade. In each conference which I coordinated for three years (1982–4), over twenty speakers participated, including people from major multinational banks, the IMF, the World Bank, and the US bank regulatory agencies. I also had opportunities to visit London financial institutions, as well as foreign branches and offices of various countries of origin in Hong Kong, Singapore, Seoul, and Beijing. Over several years, I also benefited from seminars and programs in international banking at Baylor University, the University of Hawaii PAMI, and the University of Virginia Center for International Banking Studies, in which I participated as either a lecturer or a faculty fellow.

In writing this textbook, I realize that I owe a debt to the valuable graduate training in economics that I received at the University of Colorado under the Fulbright graduate fellowship program. I am also grateful for the conducive environment fostered at the American Graduate School of International Management, where I was able to initiate and experiment with an untested course in international banking over a decade ago and where I have received generous encouragement and research support, without which literally I could not have produced this book.

My greatest debt is to the students who took my course in international banking without a suitable textbook and suffered most. In addition, I am grateful to reviewers of my earlier drafts, who provided me with valuable comments, preventing me from falling into too much of an America-centric approach or into technical pitfalls. Of course, any remaining errors or imbalance in coverage are mine. I am also grateful to the Routledge editorial staff for their outstanding editorial help and advice. My special thanks go to Francesca Weaver and Jennifer Binnie.

Finally, I am deeply grateful to my wife Myong, daughter Grace, and son Edward for their enthusiasm, tolerance, and subtle pressure, without which the completion of this book might have been further away.

Taeho Kim April 1993

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## Basics of money and banking in an open economy