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Institutional Approaches in Geography*
–Institutional Changes in the Korean Financial System–

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Even though rarely recognized as a separate approach, the insittutional approach in geography is defined as an attempt to seek an explanation of the phenomena of geographical interest through focusing on the effects of institutional structure and actions. It can provide interdisciplinary links with other works and can offer complementary explanations for geographical interests. The concerns for institutions in geography can be found in early studies, the study of the state, the managerial approach, and the regulation approach. The Korean financial systems can provide good examples to apply institutional concepts into creating spatial outcomes, as it has been regarded as a useful tool to promote Korean economic development. Behind the current spatial pattern of financial systems, four different stages of institutional changes are identified in Korea. Each stage has different institutional features reflecting unique spatial implication.

Key Words: institutional approaches, financial systems, Korean economic development, banking, institutional changes

1. Study Objectives

This paper intends to address institutional approaches in geography as an approach for the explanation of geographical patterns. Although institutional approach has seldom been recognized as a separate approach in geography, studies have been done explicitly or implicitly related to the institutional theme in geography (Flowerdew, 1982, p.1).

Several questions can be raised about this institutional approach in geography: how can we define the institutional approach? How can we generalize various effects of various institutions? What are the advantages of applying the institutional approach in geography? What are the problems of the institutional approach? Furthermore, is it an important development in geographical methodology or just an additional factor to achieve an adequate understanding of reality? Meanwhile, we can also raise questions concerning the definition of institutions in the debate over agency and structure problems in geography: whether institutions are regarded as independent spatial agents that have enough power to change social and spatial structure, or are institutions viewed just as a product of broad social and economic structures.

Concerning the above questions, this paper is divided into three sections. First, the concept of an institutional approach is discussed. Second, the development of institutionally based work in geography is reviewed in light of changing

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geographical paradigms. The emphasis is on different views of institutions, especially in urban and economic geography, Third, it is trying to apply the institutional concepts into the financial sector in Korea, concerning the spatial outcome of financial development.

2. Definition and Background of Institutional Approaches

In geography, the significance of the term 'institution' itself can be found in association with the definition of the city itself. In this line of argument, the city should not be over-regarded as an aggregate of economic functions, but above all, it should be regarded as a seat of institutions in the service of the region. Also, the urban places should be emphasized as institutional centers for a surrounding territory or hinterland -- the demand for services calls the urban settlement into being and extends a network of functional relationships over the region (Herbert and Thomas, 1990, p.8).

The relevance of the study of institutions in human geography may be recognized to encourage interdisciplinary links between work exploring institutional themes in different contexts (Manion and Flowerdew, 1982, pp.1-3.). For example, geographers interested in the role of institutions in one subject may share their work with others studying institutional effects on other subjects. In this sense, the institutional approach is neither a philosophy nor a methodology. It seeks to explain phenomena of geographical interest through a stress on the effects of institutional structure and actions. In other words, the institutional approach allows different research fields in geography to be able to share the common subject of 'institutions' as a major object of study. As such, it should be compatible with various philosophical perspectives in geography and various methodologies in geography including econometric modeling, systems analysis, and so forth.

These kinds of concerns about institutional effects may be useful to clarify some issues in regional development, housing market development and urban system development in urban and economic geography. By focusing on institutional effects, it is possible to gain clear ideas about the role of government and other institutions that may play a key role in shaping geographical phenomena through their organizational structure, and the power struggle among institutions.

Outside geography, sociology and economics have developed the traditions of institutional study. In sociology, the institutional tradition can be found in organization theory developed by Weber (1947), which focuses on the study of organizations as entities rather than the effects of organizations. In economics, the study of institutions has been developed in different contexts inside the institutional school, post-Keynesian economics and the Marxist-influenced political economy school.

The institutional economic tradition founded by Thorstein Veblen stresses the relationship of the economy to social and cultural institutions of the society differently from that of neoclassical economics (Gordon, 1980). The 'institutions' in institutional economics are defined that "sets of ordered relationships among people which define their rights, exposure to the rights of others, privileges and responsibilities." Economic institutions can be conceptualized as social decision systems which provide decision rules for the use of resources and for the distribution of the income stream derived from such use (Mulkey and Clouser, 1987). The Post-Keynesian tradition views an economic system fundamentally affected by advanced credit and monetary institutions and recognizes the existence of multinational corporations and national trade unions (Chisholm, 1990). One of the dominant traditions concerning institutions in economics can be found in the political economy tradition. In this tradition, the operation of government, large corporations and financial institutions is understood as an output of class struggle in the context of the capital accumulation process in capitalism.

In geography, the term 'institutions' refers to an organization, and emphasis is placed on the effects of its internal structure and operating constraints on how it acts. Institutions may be influenced by rules and procedures, as well as by their own internal structure, and by the special interests of their subdivisions (Flowerdew, 1982). However, what makes the institutional approach in geography different from other fields is related to the question of what is the role of institutions in shaping geographical pattern. In this sense, the effect of institutional structure and action is focused so as to explain phenomena of geographical interest.

We can find geographical relevance of institutional studies in several ways. First, the goals of institutions may affect their operations which lead to spatial consequences. Meanwhile, institutions also may induce unintended spatial outcomes different from their objectives through their operations. Second, the system of regulations that institutions set up may cause spatial outcomes. Third, institutions may create their own internal structures that have an effect on the allocation of resources (Flowerdew, 1982).

However, due to the fact that there are different institutions of different types, the study of institutional effects contains problems of complexity and variability. For instance, government can be viewed as a major institutional force, and business and financial institutions can be seen as major institutional forces at the same time. This fact still leads such question of how we can generalize the different effects of different types of institutions in forming geographical patterns.

3. Development of Institutional Approach in Geography

1) Early concerns

Before the quantitative revolution in geography, concerns about institutions could be found early in several geographers' works, such as Whittlesey (1935), Nelson (1952), Large (1957), and Fielding (1964; 1965). Early works were characterized by qualitative descriptions and emphases on the effects of government.

Little attention has been paid to institutional effects since the quantitative revolution. Most studies have been performed in the logical positivist paradigm. In economic geography, economic factors were stressed under the strong influence of neoclassical economics. In urban geography, early emphasis on the strong tradition of urban ecology did not leave enough space for the study of institutional effects. For instance, the processes of invasion and succession used in the ecological model to explain urban structure would assume comparative freedom from government control and institutional constraints.

After the late 1960s, partly in response to criticism of the positivist approach, the behavioral approach was emphasized. Behavioral geography criticized the positivist presuppositions about individual behavior, such as the unrealistic picture of the rational economic man with perfect information and a goal of utility-maximization. It was concerned with satisfying behavior as an alternative to utility-maximization with an emphasis on the individual decision-making process. However, the behavioral approach concentrated on individual behavior and did not address the effect of institutions on spatial behavior.

In the behavioral approach, the study of institutional effects was found partly within the context of organization behavior and its decision-making process (Townroe, 1971; 1972; Watts, 1974). Townroe (1971) examined the structure of decision-making within an organizational context in relation to the resources and to the location of decision-makers within the corporate hierarchy. He hypothesized the effects of company structure on decision making by saying that 'privately owned concerns are more open to subjective pressures than publicly owned companies' (Townroe, 1972, p. 270). Watts (1974) discussed the effects of complex organizational structures of multi-plant enterprises on locational inertia and locational change.

The behavioral approach was criticized for its assumption of free individual choices and preferences, but the study of institutions provided an alternative that focused on the role of aggregate behavior, collective action and institutions as constraints of human behavior. Even geographers seek to explain residential structure based on individual choices and preferences, access to the housing market is determined by individual status and power in relation to allocating institutions whose operation generates constraints in the housing market (Gray, 1975, pp.228-30).

Later studies of institutional effects can be found in three distinct research fields: studies of the state and government role, the urban managerialism tradition, and regulation approaches in relation to the production system.

2) The state as an institution in geographical process

Manifestations of the institutional approach can be seen in the development of theoretical arguments about the role of the state in capitalist society, as an attempt to relate urban phenomena to the central economic and political institutions of contemporary society. The concern of geography with the role of the state and government has been increasing while influences from neoclassical paradigms have diminished. Neoclassical approaches were criticized both for ignoring or underestimating the role of state in the functioning of the market economy, and neglecting the changing institutional environment in the broad context of the national economy and sectorial policies that are expressed at the spatial and regional level (King and Clark, 1978).

The role of state in geographic processes has been discussed theoretically and empirically (Dear and Clark, 1978; Dear, 1981; Green, 1982; Simmons and Bourne, 1982; Johnston, 1982a; Hay, 1988). In theoretical arguments, major debates focused on the relevant research agenda, the nature of the state, and functions of the state in creating geographical patterns. Concerning the nature of the state, on the one hand, the state is seen as an endogenous agent within the broader functioning of the space economy as well as an institutional element to be integrated with the more orthodox models of regional development (King and Clark, 1978, p.11).

On the other hand, the state is regarded as an exogenous factor independent from capitalism. Hay claimed, from a realist perspective, that "the state of capitalist society has emerged from the fundamental relations between labor and capital....Today's expressions of capitalism require the State for continued existence, but the State is not dependent upon capitalism for its perpetuation....State action may actually contribute to the transformation of capitalism into another form of social arrangement" (Hay 1988, p.44). Earlier, Dear and Clark (1978) advocated the state both as an independent entity and as an integral component of the set of power relations that comprise capitalist society. According to them, the state plays roles (1) as supplier of public or social goods, (2) as regulator and facilitator of the operation of the market place, (3) as social engineer to achieve its own policy objectives, (4) as arbiter between competing social groups and classes, and (5) as agent of the ruling elite within society and economy. Also, they offer three research issues: the legitimation and fiscal crises of the state, the role of the local state, and comparative analysis of socialist and capitalist states.

Dear (1981) proposes two relevant research agenda in the study of the state in spatial domains: the form of the capitalist state and the functions of the state apparatus. According to him, examination of the form should be concerned with "how a specific state structure is constituted by, and evolves in a given social formation," and the investigation of function should consider "how and why state power is exercised through particular institutions" (Dear, 1981, p.1191).

Simmons and Bourne (1982) focused on the role of the state at the spatial scale of the urban system. They claimed that the state would affect spatial systems through bounding, connecting, homogenizing and stabilizing processes. Bounding refers to the activities of government that control flows and linkages across the system boundary. Connecting implies external relationship between the system and the rest of the world. Homogenizing processes refer to government actions that attempt to enforce a common way of life on all components of the spatial systems. Stabilizing processes refer to government actions that provide a stable local economic base independent of variations in the local value of production.

Empirically, studies of the state ranged from the issues of government policy and the role for geographers in public policy (Coppock, 1974) to the effects of institutional policy changes (Gray, 1976; Robson, 1975; Clark, 1983; Oriordan, 1983).

However, it can be pointed out that, as the state is regarded as an institution that influences regional policies, the internal structure of the government and the different roles of different sections of the government in regional policies should be considered.

3) Urban managerialism

Other studies of institutions in geography can be related to the work of urban sociologists called urban managerialism (Form, 1954; Rex and Moore, 1967; Pahl, 1970). Earlier studies pointed out the importance of institutions and investigated land use patterns as the outcome of conflicts and bargaining between a number of interacting organizations in the land market. Also, the activities of organizations depended on their resources and internal organization (Form 1954).

The question of the role of institutions took a place in the framework of managerialist approach, stemming from the work of Ray Pahl in his book *Whose city (1970)*, although he did not use the term 'urban managerialism'. Pahl asserted the importance of viewing institutions as spatial constraints and social constraints on access to scarce urban resources and facilities (Pahl, 1970, pp.215-22). These institutions functioned like managers and gatekeepers and affected people's access to resources by controlling urban resources through bureaucratic rules and procedures. According to him, a better understanding of urban phenomena would be gained through a focus upon the institutions and individuals that control the distribution of resources. For example, in the housing market, the controllers of access exert an important influence upon the distribution of housing opportunities. In Pahl's argument, we can find that much attention has been given to the importance of controlling institutions and constraints within the urban system and to the roles of mediating institutions.

However, the managerialist approach has been criticized on several grounds. First, it was questioned whether or not managerial behavior is independent from broader economic and social processes (Norman, 1975). Second, it was pointed that there was no clear framework within which to locate and interpret managerial activity (Gray, 1975; Williams, 1978). In other words, it was asked who could be the urban managers, and whether urban managerialism should simply be concerned with the role of government officials as mediators, or whether it should encompass a whole range of actors in both public service and private enterprise who appear to act as controllers of resources sought by the urban population. The main issues of criticism are related to the questions about managers' independence and the definition of managers.

Regarding the criticism, Norman (1975) distinguished early managerialism from later developed managerialism. The former focused on the specific nature of management, whereas the latter emphasized power relations. While early managerialist studies were implicitly assuming that urban managers are independent and autonomic without recognizing the broader social structure within which they operate or without considering the influence of other groups on managerial behavior, later managerialists, including Pahl himself (1975), advocated the study of power relations among different competing groups in the context of broader social, political and economic structures.

Within the later managerial approach, Pahl (1975; 1979) acknowledged the criticisms of urban managerialism and modified his ideas to include relationships between managers and government, while still regarding urban managers as the allocators of resources and center of urban problematic issues. It was suggested that managers were not an independent variable, but acted within constraints set by societal influences (Williams, 1982).

In line with these arguments about the role of managers, the questions about the manager's independence from social structures can be connected with concerns about the interplay of human agency and structures in an organizational context. Concerning the active role of human agents over social structure, recently, the social constructionist point of view has been developed in geography (Lauria and Knopp, 1985; Wilson, 1992). Wilson (1992) adopted a social constructionist viewpoint, regarding local managers as important social reproductive variables. According to him, "whereas structuration posits an equal causal role played by structure and agency, constructionism accords primacy to individuals generating the social world" (p.217). "Managers are not believed to be passive bearers of socio-spatial landscapes, but interpretive value constructors" (p.216). He presents managers as complex carriers of spatiality, mediating past and present socio-spatial configurations through the lens of evolving biographies

Furthermore, the broader social structure has been emphasized in dealing with managerial activities in relation to the urban political economy framework. According to Williams, "the fundamental problem both for the development of theory and for an adequate conceptual framework for the analysis of institutional activity lies in resolving the relationship between the social structure as a whole and its constituent parts–organizations and the individuals of which it is comprised" (Williams, 1982, p.101).

It seems that, in the urban managerial framework, the study of institutional effects could broaden its scope, not only considering the managerial role of gatekeepers in resource allocation, but also concerning institutional structures in conjunction with the role of the state in capitalist society, and furthermore, attempting to relate urban phenomena to the broad economic and political institutions of society.

4) Regulation approach to institutional themes

One of dominant research traditions concerned with institutional effects can be found in the regulation approach represented by the French Regulation School (Aglietta, 1987; Jessop, 1988; Lipietz, 1986; 1987). The regulation approach tries to theorize the emergence and consolidation of a new accumulation regime and its spatial dynamics as a qualitative change in the organization of productive forces under capitalist relations of production (Moulaert and Swyngedouw, 1989, p.329). The core of the regulation approach is to understand how regulatory and institutional forms arise in particular places, and how these forms are related to and how they are influenced by new patterns of accumulation.

According to the regulation approach, capitalist development can be expressed by dual concepts of both regimes of accumulation and corresponding modes of regulation. This 'regime of accumulation' is a key notion of the regulation approach. A regime of accumulation refers to a relatively stable and reproducible relationship between production and consumption defined at the level of the international economy in general. A mode of regulation provides for the reproducible capacity of a regime of accumulation that capitalism manages to survive despite conflicting tendencies toward crisis. The mode of regulation comprises a complex set of institutions and norms that secure the adjustment of individual agents and social groups to form principles of the accumulation regime. For example, regulation can involve more than just state regulation. It also implies regulation by other institutions.

A regime of accumulation evolves as a result of changes in the organization of the forces of production and their correspondence with the development of modes of regulation and related hegemonic structures. Imbedded in this approach is the possibility of different forms of crisis: (a) short temporary crises requiring only minor adjustments, including technological changes and institutional adjustment; (b) structural crises leading to qualitative changes in the organization of the accumulation process, including institutional reforms of the social relations of production; and (c) crises resulting from fundamental contradictions in the capitalist mode of production itself.

If deeper contradictions of capitalism as a mode of production prevail and a mode of regulation cannot be sustained any longer to support an accumulation regime, then a new relationship between the regime of accumulation and mode of regulation has to be established.

From the standpoint of the regulation approach, capitalist development is regarded as a succession of phases of regular regimes of accumulation punctuated by crises as one order breaks down and a new one emerges. The regulationalists acknowledge that the development of capitalism is continuously mediated through historically specific institutional forms, regulatory institutions, and norms of conduct (Benko and Dunford, 1991; Marden, 1992).

Nonetheless criticism of French regulation theory has been made on several grounds. First, criticism developed concerning the definition of regulations. It was pointed out that the formulation of regulations is too metaphysical and driven by economic imperatives (Clark, 1990; 1991). French regulation theory neglects the social subtleties and contingencies in regulation and tends to overemphasize the economic imperatives in the form of economic reductionists (Clark, 1990). Regulation should be viewed as a social practice embodying institutional forms of class struggle, rather than as some generality in accordance with the regime of capital accumulation. This view stressed the importance of power relations between institutions and the interpretive practice of practitioners engaged in determining regulatory outcomes (Clark, 1991; Moulaert and Swyngedouw, 1989).

A second criticism of the regulation approach raised questions about the stability and coherence of regulation concerning its definition of crisis (Aglietta, 1982). If a succession of crises is a continual process, how can the transition time from a mode of regulation to another mode be identified? Or, how can the emergence of modes of regulation be described? And, why does capitalism survive periodic crises?

Third, it is questioned how to deal with spatial and temporal variability and the complexity of modes of regulation in relation to institutional autonomy. At this point, Marden (1992) argues that "social and institutional practice should be conceptualized as comprising a temporal dimension (changing regulatory regimes and their historical evolution), and a spatial dimension (regimes as place specific)". Hancher and Moran (1989, p.277) give a useful concept of 'regulatory space' on this issue: regulation is situated in a contextual framework such as political, legal and cultural settings. Also, it shifts attention towards the powerful actors involved in dominating regulatory space at any given time. They point out that the behavior of social agents and institutionalization are outcomes of social struggle and the play of power (also, Clarke, 1988).

4. Banking as an Institutional Force

1) Institutional structure of the Korean financial system

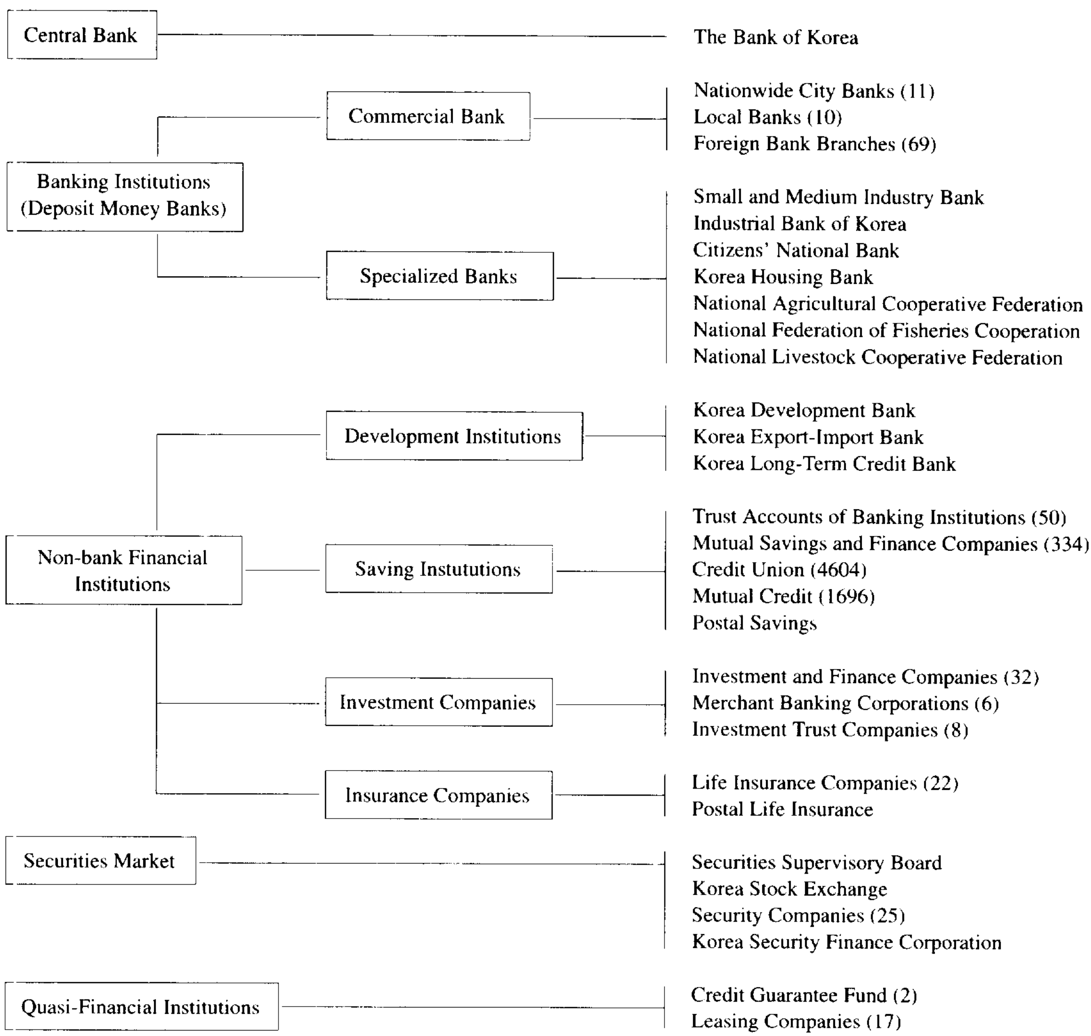
The diverse school of regulation theorists (including Aglietta and Lipietz) include financial systems as a key element in the regulation of capitalism. This section concerns three elements of institutional approaches in dealing with the Korean banking system: the goal of financial systems, its internal structure, and regulatory framework, while considering the spatial outcome of institutional changes.

With regard to institutional goals, the Korean financial system has made a significant contribution to Korea's economic development by allocating credits and mobilizing domestic savings for capital formation. Financial development in Korea is closely related to the process of economic development. Financial instruments and institutions both tend to grow and diversify during economic development (Kim, 1990; Cole and Park, 1983).

However, financial institutions and financial markets have been subject to heavy government control and influence, especially from the Ministry of Finance and the Bank of Korea (Bank of Korea, 1990). The role of government in the structure and operation of financial institutions deserves particular consideration because the activities of financial markets are defined by the regulatory framework and because confidence in the system derives from confidence in the state's regulatory powers.

The Korean financial system is a national one, with nationwide branching of major financial institutions similar to the British financial system. The United States, in contrast, has traditionally had a regionally segmented financial system, to the extent of a regionalized monetary authority and state restrictions on branch banking. This difference between the two systems can express, in the Korean case, that the more integrated the national financial system, the more it can contribute to regional economic convergence.

In terms of the institutional structure, as of 1990, the Korean financial system comprises a large number and wide variety of financial institutions, which have been grown and diversified in response to government demands (Bank of Korea, 1990). The Korean financial institutions are broadly divided into two sectors: Monetary institutions and nonbank financial intermediaries (Figure 1). Monetary institutions include the Bank of Korea (BOK) and deposit money banks (DMB) whereas nonbank financial intermediaries include four different categories



*Figures in Parentheses represent the number of institutions at the end of 1989.
Source: Bank of Korea, *Directory of Financial Intermediaries*, 1991.

Figure 1. Financial Institutions in Korea, 1990

of nonbank financial institutions, security markets and quasi-financial institutions.

The Bank of Korea is the central bank. It sets interest rates for banking institutions, provides a rediscount facility for banks, sets reserve requirements and supervises bank operations. Deposit money banks consist of commercial banks and specialized banks. At the end of 1990, commercial banks are composed of eleven nationwide city banks, ten local banks and sixty-nine foreign bank branches. The nationwide city banks include the Choheung Bank, the Bank of Seoul, the Commercial Bank of Korea, the Hanil Bank, the KorAm Bank, the Korea First Bank, the Shinhan Bank, the Korea Exchange Bank, the Donghwa Bank, the Dongnam Bank, and the Daedong Bank. The local banks include the Bank of Jeju, the Bank of Pusan, the Chung-Buk Bank, the Daegu Bank, the Kyeong-Nam Bank, the Jeon-Buk Bank, the Kangwon Bank, the Kwangju Bank, and the Kyonggi Bank.

At the end of 1990 there were 69 branches of 49 foreign banks from 13 countries operating in Korea. The US. banks have the highest number of operating banking branches (27), followed by Japan (15), France (7), Canada (4), Singapore (3), Australia (3), United Kingdom (2), Hongkong (2), Germany (2), India (1), the Netherlands (1), Pakistan (1), and Jordan (1).

The specialized banks comprise seven banks, including the Small and Medium Industry Bank, the Industrial Bank of Korea, the Citizens National Bank, the Korea Housing Bank, the National Agricultural Cooperative Federation, the National Federation of Fisheries Cooperation, and the National Livestock Cooperative Federation. The specialized banks are created to serve the needs of specified areas of the growing economy. Each institution has a fairly circumscribed range of authorized operations to which it adheres.

Nonbank financial institutions are classified into four categories of intermediaries: development institutions, saving institutions, investment companies, and insurance companies (Figure 1). Additionally, the Korea Credit Guarantee Fund and leasing companies are included in nonbank financial institutions, although they are not defined as financial institutions.

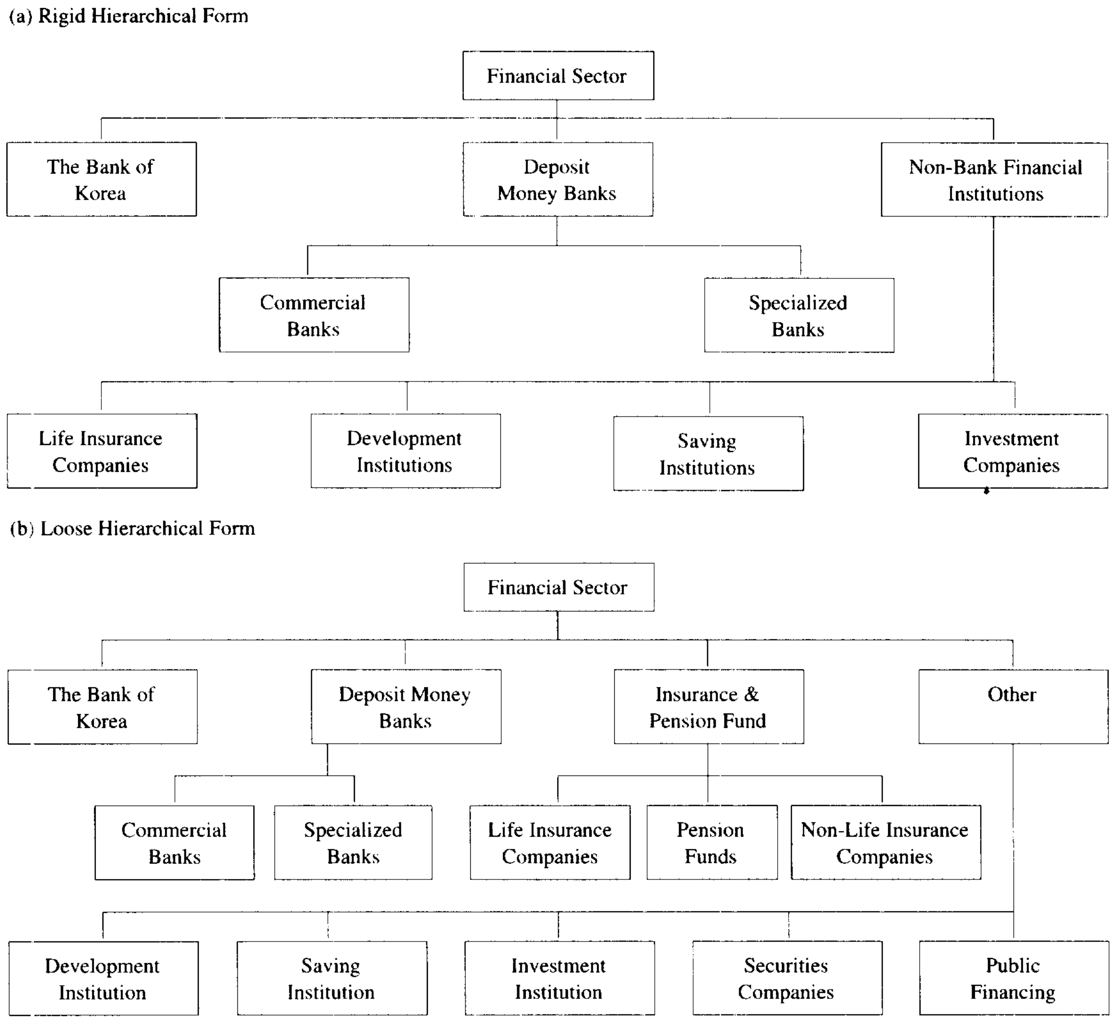
We can find changes of the institutional structure in the banking sector over the years. The earlier financial structure was rigidly hierarchical with emphasis on the monetary banking institutions (Figure 2(a)). Under this earlier financial structure, the Bank of Korea, deposit money banks and nonbank financial institutions took three major portions of the banking network although nonbank financial institutions occupied a lower position in hierarchy.

However, over the years, financial institutions underwent a gradual transformation. After 1970, nonbank financial institutions grew faster than monetary financial institutions while increasing the scope of services they offered. In the 1980s the financial system deregulated to allow free competition and innovation. As a result, the previous borderline between the two types of institutions is becoming nebulous and overlapping. Also, the rigid hierarchical structure evolved toward a less fixed configuration (Figure 2(b)) (Das, 1992, pp.109-111).

2) Regulatory framework and institutional development of the Korean banking system

The characteristics of change in the banking sector in Korea can be summarized by two terms: government regulation and government deregulation through economic development.

Before 1980, the Korean government tended to have a powerful set of financial institutions under central management and control so as to more easily bring the financial sector into harmony with the other sectors of the economy. Evidence for this government inclination toward regulation of the financial sector is found in its movement toward government ownership and control of financial institutions at early stages of financial development (Park, 1991). However, rigid government control of the financial sector led to intersectoral imbalances between banking institutions and nonbank financial intermediaries as well as uncompetitiveness with the international banking sector. Thus, after 1980, the government followed a policy of deregulation of the banking sector to promote competition and banking operations (Woo,



Source: Dilip K. Das, 1992, *Korean Economic Dynamism*, New York: St. martin's Press, p.110.

Figure 2. Evolution of the Korean Financial Structure

1991).

Korean financial development can be divided into four different stages of institutional change and government control: the stage prior to 1961, the stage of financial experiments and reversals (1961-71), the stage of financial repression (1972-79), and the stage of financial liberalization (after 1980) (Kim, 1990). Each stage is characterized by specific government intentions and purposes toward financial institutions.

Stage Prior to 1961.

The Korean financial system was a slightly modified version of the Japanese-built financial system after the colonial period. There were two dominant institutional changes in the financial sector in the period of 1945-1961. The first was the privatization of commercial banks that had previously been nationalized after the colonial period. The second was the establishment of several banks including the Korea Development Bank (1954), Korea Agriculture Bank (1956) and the Bank of Seoul (1959) to support postwar reconstruction efforts after the Korean War. The Korea Development Bank was established with the primary objective of granting medium and long term loans to industry. The Korea Agriculture Bank was created to set up a pure banking institution for farmers. The Bank of Seoul, funded with private capital, became the first commercial bank added after liberation (Cole and Park, 1983, pp.48-55).

In this period, government efforts to regulate financial intermediaries assumed several institutionalized forms. In the 1950s, as the Bank of Korea Act and the General Banking Act took effect, the Monetary Board was given power to control opening and closing of bank branches. The Monetary Board tried to introduce new management methods in the banking sector and intended to reorganize the financial system to achieve efficiency in banking management. Thirty-five bank branches in small cities were closed in 1958 in accordance with these efforts.

The Stage of New Experiments (1961-71)

This period can be characterized as the stage of financial experiment and reversals (Kim, 1990). After the military coup in 1961, the military government followed a government-led growth policy that was quite different from that of its predecessors. Not only had the financial system fallen under rigid government control, but several financial experiments were performed, including interest rate reform on September 30, 1965, which allowed high interest rates for time deposits.

The first government step began with taking over ownership of the private commercial banks in 1961. In addition, the government amended the Bank of Korea Act (May, 1962) and brought the Bank of Korea under the control of the Ministry of Finance.

Furthermore, specialized banks were created, mostly during 1960s, for the purposes specifically defined by their respective statutes. In 1962, the government revised the Korean Development Bank (KDB) charter in order to increase its capital base and to authorize it to borrow funds from abroad and to guarantee foreign loans obtained by Korean enterprise. The Small and Medium Industry Bank was established in 1961 in order to support small and medium sized firms that had difficulty in competing with large sized firms. In 1961, the National Agriculture Cooperative Federation (NACF) was reorganized by the merger of the former Agricultural Cooperatives and the Agriculture Bank. Similarly, in 1962, the National Federation of Fisheries Cooperative was established to meet the financial needs of fishers and fisheries manufacturers. The Citizen's National Bank was established in 1962 specializing in small loans for small-sized firms with poor credit standing as well as household loans.

In 1967, institutionally, there were several innovations in financial institutions in Korea. First, authorized local banks were allowed to go into commercial banking, which allowed local entrepreneurs to gain the banking services that they needed. Local banks were privately owned and placed their headquarters in the provincial capitals with their branches.

Second, several specialized banks were created, including the Korea Exchange Bank, the Korea Trust Bank and the Korea Housing Bank. The Korea Exchange Bank was established from the foreign exchange department of the Bank of Korea in 1967. The Korea Exchange Bank's stock was wholly owned by the Bank of Korea, and it functioned as an extension of the Bank of Korea. The Korea Trust Bank was created by consolidating the trust department of the five nationwide city banks in the same year. It functioned like a commercial bank and later merged with the Seoul Bank in 1976 to become the Bank of Seoul and Trust Company. The Korea Housing bank was also created in 1967 to finance housing funds for low-income families (BOK, 1974, p.65). It provided preferential treatment to depositors in the granting of loans for holding their deposits.

Third, the government allowed a limited number of foreign banks to open branch offices in Korea (1967) to promote the financial inflow urgently needed for economic growth as well as to introduce managerial and banking skills to the domestic banking sector. Thus, the Chase Manhattan Bank became the first foreign bank to establish a branch in Korea. By 1971, there were six foreign bank branches operating in Korea.

In order to attract foreign capital, in 1962 the government set up a new policy of guaranteeing repayment of foreign loans through Korean banks. This policy gave a new role to Korean banks. The banks played a role as facilitators and guarantors of external finance for business.

For example, Korean enterprises wishing to borrow abroad, first had to obtain the approval of the Economic Planning Board, which also sought the approval of the National Assembly. Once the guarantee had been authorized, the Bank of Korea issued a guarantee to the foreign lenders, while the Korea Development Bank (subsequently the commercial banks) issued guarantees to the Bank of Korea.

This new role for the banking system brought a dramatic change from the early 1960s. Although the banks had not acquired any greater degree of independence in decision making as to the allocation of credit, they did at least have an expanded managerial role over a system that exerted a major influence on the allocation of financial resources (Cole and Park, 1978).

In the 1960s, as many banks were newly added in the banking sector, the government undertook several efforts to regulate banking administration. First, the Bank Inspection Board enacted rules for the establishment of new bank branches and for merging and moving existing bank branches in order to prevent over-expenditure to fixed estates in 1964. Also, in order to maximize the domestic saving rate, the government not only introduced small bank branch offices of various types, such as deposit agent offices and temporary operating small branch offices and so forth (1965,9), but also allowed banks to expand the number of new bank branches (Bank of Korea, 1992).

The Stage of Finance Repression (1972-1979)

In the 1970s, financial operations were influenced by a number of serious internal and external disturbances, that is, a political shift toward more authoritarian leadership, high inflation, slow growth, and the oil crisis of 1973-74. These subsequent events altered the government policy for the financial system toward financial repression, policy-directed loans, and attempts to devise mechanisms to attract foreign capital inflow (Kim, 1990).

In Korea, outside the regulated banking sector, an unorganized and unregulated financial market was flourishing in relation to the business sector. Due to the difficulties in using bank credit and the immaturity of the capital market, the business sector had regularly sought other sources of funds, thereby promoting an unorganized financial market. The government sought to find a way to eliminate this unregulated financial sector and to absorb it into the regulated sector.

The first action of government efforts to bring this about started with the emergency decree on August 3, 1972, which froze the unregulated financial market and was designed to stop loans to business from unofficial and unregulated private money market (curb market) sources. This decree aimed to reduce business's financial burden from the unorganized private money market.

Secondly, in connection with the emergency decree, the government authorized the establishment and expansion of various nonbank financial institutions in order to diversify and enlarge the sources of investment funds. The nonbank financial intermediaries grew faster than the monetary financial institutions. This rapid growth was due to not only favorable interests rate structures, which allowed them to have higher interest rates than monetary banking institutions and no ceilings on their loans and deposit rates, but also was due to the larger scope of services they offered (Das, 1992).

In the category of nonbank financial intermediaries, one of the significant factors in Korea's long-term capital needs was the 'development institutions' including the Korea Development Bank (KDB), the Korea Long-Term Credit Bank and the Korea Export-Import Bank. These institutions supply long-term industrial credit by borrowing from government, international financial institutions, and foreign banks, and by issuing debentures. They differ from the deposit money banks in that they are not permitted to accept deposits from the public.

Other types of nonbank financial institutions that are prevalent in the Korean economy included, as of 1990, (1) saving institutions (trust accounts of banking institutions, mutual savings and finance companies, credit unions, mutual credit, and postal savings), (2) investment companies (investment and finance companies, merchant banking corporations, and investment trust companies), and (3) insurance companies (life insurance companies and postal life insurance).

Especially, important are Mutual Savings and Finance Companies (MSFC) and Investment and Finance Companies that were taken by some large business groups to channel some of their idle funds through to take advantage of the MSFCs's close ties with the unregulated money market. In addition, the capital market has developed as a result of the government effort toward the diversification of financing sources. In September 1968, the Law for Fostering the Capital Market was enacted to encourage major corporations to go public. Further along the same line, the Public Corporation Inducement Law was enacted.in 1972. The intent of this law was to invest the government with the power to designate firms eligible to go public and to issue ordinances to that effect.

In this period, two dominant features appeared in the banking system. First, the commercial banks and specialized banks were steadily being homogenized, because of the increased role of commercial banks in policy directed loan activities and because of the allowing of deposit-taking by specialized banks. Second, the gap between the profitability of commercial banks and that of nonbank financial institutions was being widened (Kim, 1990). In addition, in order to attract foreign capital, the government encouraged foreign banks to operate their business in Korea. As a result, during 1971-1979, there were twenty-three foreign bank branches added to the previously operating six branches.

In the 1970s, government efforts to administer financial intermediaries were found in several institutional changes. First, government established the Bank Branch Control Board to integrate banking control function dispersed over various government departments (1971). Second, new regulations were established for the establishment of new bank branches. These included rules about (1) encouragement of new bank branches in remote areas, industrial areas and small cities in 1971 and 1972; (2) restriction on new bank branches in large cities and an annual limit of new bank branches for each group of banks (2 for nationwide banks, 3 for local banks) in 1973; (3) constraints on the size of small branch offices (fewer than 6 employees) in 1974; and (4) minimum distance constraints between bank branches (at least 500m between banks) in 1978 and so forth (Bank of Korea unpublished 1992).

The Stage of Financial Liberalization (After 1980)

Over the years, financial operations have expanded in terms of their transaction volume, the number of institutions and the role of institutions. In the 1980s the financial system was partly deregulated to allow free competition and innovation. This movement toward financial liberalization tended to maintain a balance in the financial industry between the banking sector and nonbank institutions. After a tentative step toward denationalization, in 1973, by transferring government-owned shares of commercial banks to the Korea Traders Association, the process of privatization was accelerated in the early 1980s.

First, the government adopted the policy of increasing competition in the commercial banking sector: (1) the government privatized commercial banks and allowed the establishment of several new commercial banks including Shinhan (1982), KorAm (1983), Donghwa (1989), Dongnam (1989), Daedong (1989), and so forth; (2) banks were allowed to enter previous nonbanking institution domains such as leasing, trust and investment businesses, so that many of the banking and nonbanking operations overlapped in their roles.

Second, several developments in financial policies paved the way for further liberalization: (1) deregulation of interest rate determination, thereby permitting banks to charge different rates based on borrowers' creditworthiness; (2) abolishment and simplification of government regulations and directives in the commercial banking sector; (3) reduction of policy-directed credit from commercial banks; and (4) emphasis on small and medium sized firms for credit allocation.

Furthermore, government had directed the financial internationalization in the 1980s. Government allowed the expansion of foreign banks operating in Korea in order to stimulate competition in banking sectors. In 1985, foreign banks were permitted to handle trust business and to make use of rediscount facilities at the Bank of Korea for exporting financing. Between 1980 and 1990, the number of foreign bank branches increased from twenty-nine in 1979 to sixty-nine at the end of 1990. In addition, the adoption of new banking technology such as automatic teller machines opened a new horizon for the banking industry (Kim, 1990; Woo, 1991; Das, 1992; Euh and Baker, 1990).

This liberalization was reflected in the government regulations of financial intermediaries. In the early 1980s, rigid regulations were partly liberalized as the Banking Practitioners Committee of Bank Branch Adjustment was newly organized (1981). This committee formed new regulations for administration of bank branches, including new criteria for the establishment of new bank branch offices (1982); allowing new bank branch offices to be established within 500 meters of one another if fewer than three bank branches are in an area; and permitting new bank branches to be established in large buildings with more than 30,000 square meters. Also, the government allowed small branch offices to autonomously become regular branch offices within the limits of the number of closing regular branches (1983; 1984). Automatic Teller Machines were introduced to be installed in public facilities (1985).

In the late 1980s, government control of bank administration was further liberalized. The role of the Banking Practitioners Committee of Bank Branch Adjustment was expanded and strengthened (1986). More liberal new regulations were introduced for bank administration and establishment: the range of each bank's own decision making about their branch offices was broadened; instead of setting up bank administrative rules on an annual basis, the government established bank administration rules on a biannual basis (1987-88); new establishment of bank branches in the Seoul Metropolitan Area was limited to 50 percent of the total number of newly establishing bank branches; finally, the idea of the 'basic branch network' was introduced for newly launched banks in order to manage bank branches efficiently (1987-88).

Since 1990, domestic bank administration rules have begun to be applied to the foreign bank branches (December, 1991). The government aimed to rationalize bank administration rules, especially for the establishment and movement of bank branch offices (1991). New branch offices were allowed to be freely expanded into rural areas. Also bank branch offices were allowed to be established in large buildings only to serve industrial corporations (limits were set at less than twelve employees). The government simplified the classification of bank branch offices into three categories: branch offices, agent offices, and other type offices (1989-90).[1)] Bank administration work moved from the Bank Inspection Board to the Federation of Financial Associations, which meant more liberalization (Bank of Korea 1992).

3) Growth of the Korean financial sector and spatial implications

The current spatial pattern of financial activities in Korea has been created by institutional changes of financial systems as well as substantial growth of the financial sector itself. The Korean financial sector has experienced a substantial growth of its activities over the years. We can determine the overall growth of the Korean financial sector through the changes of the number of banking institutions, employment growth, and growth of banking loans to industries.

The institutional changes in the financial sector are reflected in the growth of financial institutions over the years (Figure 3). In monetary institutions, the first significant increase of banks happened in 1956 when the government established the specialized banks,

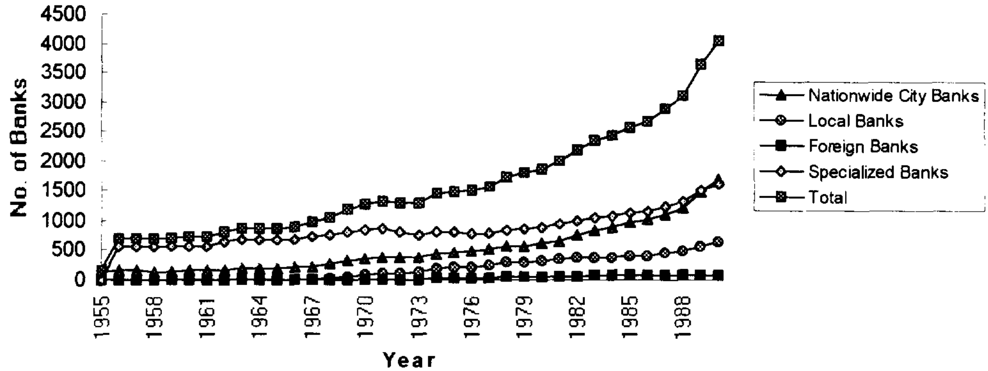


Figure 3. Growth of the Banking Institutions in Korea.

with the Agricultural Bank, which later developed into the National Agricultural Cooperative Federation. The second turning point of increase in the number of financial institutions was in 1967 when local banks were added to the financial system and foreign banks were allowed to operate branches in Korea. Obviously, over the years, the number of banks has dramatically increased, especially during the stage of banking liberalization after 1980.

We can find several characteristics of growth of the financial sector in Korea. First, in terms of growth of banking institutions (Table 1), a remarkable growth was recorded during the 1955-1990 period, showing slightly different variations between different types of banks.

For example, the number of monetary banking institutions increased from 156 in 1955 to 4044 in 1990. Over the years, regarding the growth of banking institutions, the nationwide city banks gained their share in deposit money banks, while the specialized banks reduced their share in deposit money banks (Table 1 (b)). The share of local banks increased until the early 1980s. Since then, it has showed a minor decrease. After 1967, when the first foreign bank (the Chase Manhattan Bank) established its branch office in Korea, foreign bank branches showed a constantly increasing trend until the mid 1980s. But since 1985, there has been a small decrease in their share of the number of banks in the deposit money banks sector.

Second, the growth of the financial sector can be found in both the changing employment structure in industries and in the growing GDP. Employment change in the Finance, Insurance and Business sector explained more than twelve percent of the total change during the decade 1980-1990. In comparison with 1980, employment in the Finance, Insurance and Business sector grew almost three times by 1990. This trend reflects the national trends of outstanding growth of the tertiary sector. The share of Gross Domestic Product accounted for by the Finance, Insurance and Business sector also reveals substantial increases from 12.7 percent in 1980, to 13 percent in 1985 and to 14.8 percent in 1990.

Let us review the employment changes in the Korean banking sector between 1975 and 1991 (Table 3). Although the table does not provide complete details for all banking institutions, such as specialized banks and nonbank institutions, we can see the general trends of employment growth during the period. Apparently, employment in the deposit money banks sector shows a considerable growth; nationwide city banks, local banks, and specialized banks substantially increased their employment over the fifteen years.

Concerning total employment changes within the deposit money banks sector, nationwide city banks account for 52.3 percent of employment growth, while local banks explain 15.8 percent and specialized banks occupy 32 percent from the total changes of 84,684 between 1975 and 1991. The nonbank sector also shows employment growth. But due to the relatively

Table 1. Growth of the Banking Institutions in Korea

(a) Growth of the Deposit Money Banks in Korea

Year	Commercial Bank				Specialized Banks	Total
	Nat' city banks	Local banks	Foreign banks*	subtotal		
1955	147	0	0	147	9	156
1960	162	0	0	162	562	724
1965	190	0	0	190	678	868
1967	225	4	7	236	731	967
1970	350	72	10	432	845	1277
1975	456	203	17	676	810	1486
1980	610	316	53	979	884	1863
1985	957	398	73	1428	1126	2554
1990	1695	638	93	2426	1618	4044

Source: Bank of Korea, *Directory of Financial Intermediaries, 1991.*

(b) Percentage Change of the Deposit Money Banks in Korea

Year	Commercial Bank				Specialized Banks	Total
	Nat' city banks	Local banks	Foreign banks*	subtotal		
1955	94.2	0.0	0.0	94.2	5.8	100.0
1960	22.4	0.0	0.0	22.4	77.6	100.0
1965	21.9	0.0	0.0	21.9	78.1	100.0
1967	23.3	0.4	0.7	24.4	75.6	100.0
1970	27.4	5.6	0.8	33.8	66.2	100.0
1975	30.7	13.7	1.1	45.5	54.5	100.0
1980	32.7	17.0	2.8	52.5	47.5	100.0
1985	37.5	15.6	2.9	55.9	44.1	100.0
1990	41.9	15.8	2.3	60.0	40.0	100.0

Source: Bank of Korea, *Directory of Financial Intermediaries, 1991.*
*: Including branches and local offices, There are 69 branches in 1990.

small sizes of nonbank institutions compared with deposit money banks and high competition between nonbank institutions, their share of total employment growth in the banking sector was relatively small.

Obviously, the development of nonbank financial institutions is a distinctive feature of the overall growth of the financial sector in Korea. The growth in importance of nonbank financial institutions in the Korean financial sector reflects the diversification of financial institutions and relative liberalization since 1980. This fact is illustrated by the different growth rates of the assets of different types of institutions (Table 4). While the share of total banking assets controlled by specialized banks decreased over the twenty years, 1970-1990, the share of the commercial banks and nonbank financial institutions enjoyed a substantial increase in the same period.

If we compare the assets of nonbank financial institutions with those of the deposit money banks, we can find a sharp increase in the importance of nonbank financial institutions. The proportion of assets of nonbank institutions to those of the deposit money banks increased from about thirty or forty percent in the 1970s to over ninety percent by the end of the 1980s.

Third, in connection with the overall growth of the financial sector, loans from the banking sector to various industries can reflect the growing importance of the finance sector in the

Table 2. Growth of Employment and Gross Domestic Product by Industry, 1980-1990

(Unit: 1,000 person)

Industries	Employement			Change in 1980-1990	
	1980	1985	1990	No. of Empl.	Share if % chg
Primary	4,795	3,722	3,292	-1,503	-28.1
Secondary	2,888	3,654	4,928	2,040	38.2
Tertiary	4,999	7,558	9,817	4,818	90.1
*Finance, Insurance & Business	286	561	935	649	12.1
Total	12,692	14,934	18,037	5,345	100.0

(Unit: billion won)

Industries	GDP (85 constant prices)			Composition (%)		
	1980	1985	1990	1980	1985	1990
Primary	7,657	10,352	10,232	16.3	14.2	8.4
Secondary	15,201	25,321	44,911	32.4	34.7	37
Tertiary	24,035	37,348	66,309	51.3	51.1	54.6
*Finance, Insurance & Business	5,940	9,509	18,027	12.7	13.0	14.8
Total	46,893	73,021	121,452	100.0	100.0	100.0

Source: Economic Planning Board, *Korean Statistical Yearbook*, various issues.
Partly Quoted in H.Y. Lee, 1992, "Spatial analysis of information based industries in Korea," *Papers Presented at the Korea-U.S.A. Joint Seminar*, Seoul, Korea, Nov. 2-6, p.2.

Korean economy (Tables 5 and 6). The ratio of loans from the deposit money banks to GNP continuously increased between 1971 and 1988, suggesting the increasing importance of the finance sector in the economy (Table 5). Concerning the role of banking loans in each industry, the construction industry has the highest proportion of loans to industrial output, which implies its high dependency for capital on loans from the banking sector. Manufacturing also shows a high proportion of loans to industrial output. The primary sector including agriculture, forestry and fishing had an increasing loan-to-output ratio, suggesting capital inflows into those sectors from government policies.

By examining the composition of loans from the deposit money bank into each industry sector, we can infer policies guiding investment allocation leading to structural changes in the Korean economy (Table 6). The primary sector lost its share of investment until the mid-1980s, then regained after 1985 thanks to government policies. The mining industry and gas, electricity, and water supply industry show a continuous loss of a share of loans. The loans to manufacturing industry show a decreasing trend throughout the period of 1970-1990, although still accounting for a large proportion of bank loans. Despite minor fluctuations over the twenty years, both construction industry and finance, insurance and real estate have received an increasing share of loans from the banking sector.

The high proportion of loans to the construction industry implies the priority of government policies towards housing issues in the 1980s. Also, high shares in the finance, business and real estate and service sectors originating in deposit money banks suggest the structural transformations of the Korean industrial structure towards service-oriented industry and 'tertiarization'.

Table 3. Employment Change in the Korean Banking Sector

Bank Type	Bank Name	Number of Employees			Share of %
		1975	1985	1991	chg 75-91
Nationwide-City Bank	Choheung	4,040	8,157	9,984	
	Commerl. bank of Korea	4,125	8,939	9,502	
	Korea First Bank	4,091	8,658	9,254	
	Hanil	4,201	8,462	9,596	
	Bank of Seoul	3,260	9,224	10,259	
	Korea Exchange Bank	3,315	7,609	8,416	
	Shinhan	–	1,228	3,654	
	KorAm	–	570	1,564	
	Donghwa	–	–	1,579	
	Dongnam	–	–	1,164	
	Daedong	–	–	1,150	
	Hana*	–	–	512	
	Boram*	–	–	649	
	Subtotal	23,032	52,847	67,283	47.7
Local Banks	Daegu	1,129	2,451	3,201	
	Pusan	1,899	3,220	3,706	
	Chungcheong	347	1,015	1,807	
	Kwangju	356	1,078	1,837	
	Jeju	226	437	604	
	Kyongki	561	1,689	2,694	
	Kenbuk	273	824	1,019	
	Kangwon	196	506	788	
	Kyongnam	465	1,469	2,449	
	Chungbuk	200	482	942	
	Subtotal	5,652	13,171	19,047	14.4
Specialized Banks	Small & Medium Industry Bank	3,455	7,297	10,210	
	Citizen's National	4,618	10,266	14,171	
	Korea Housing Bank	1,512	6,967	11,431	
	Industrial Bank of Korea	1,692	1,940	2,503	
	Subtotal	11,277	26,470	38,315	29.1
Nonbank Institutions	Korea Export-Import Bank	–	500	654	
	Korea Long-Term Credit Bank	–	331	784	
	Investment and Finance co.	650	2,981	2,324	
	Mutual Savings and Finance Co.	5,101	8,910	10,133	
	Subtotal	5,751	12,722	13,895	8.8
	Total	45,712	105,210	138,540	100

Source: The Bank of Korea, Office of Bank Supervision and Examination, 1992.

5. Summary and Further Implications

Although institutional themes have been studied explicitly or implicitly in geography, the results have seldom been seen as a separate approach. In this paper, the institutional approach is defined as an attempt to seek an explanation of phenomena of geographical interest through focusing on the effects of institutional structure and actions. The advantage

Table 4. Total Assets in Deposit Money Banks (%)

Year	Commercial Banks				Specialized Banks	Total	% of Nonbank
	Nat' city Bank	Local Banks	Foreign Banks	Subtotal			assetto DMB's
	%	%	%	%	%	%	%**
1970	43.8	1.8	0.7	46.3	53.7	100.0	33.61
1971	44.0	2.4	1.0	47.4	52.6	100.0	36.97
1972	45.2	3.6	1.5	50.3	49.7	100.0	35.99
1973	44.4	5.0	2.1	51.4	48.6	100.0	35.41
1974	46.9	6.6	2.0	55.5	44.5	100.0	40.95
1975	49.9	8.0	3.2	61.1	38.9	100.0	36.35
1976	52.6	8.0	3.3	63.9	36.1	100.0	43.37
1977	50.9	7.5	4.1	62.5	37.5	100.0	43.02
1978	50.7	6.9	4.5	62.1	37.9	100.0	40.23
1979	51.3	6.7	5.3	63.4	36.6	100.0	38.25
1980	49.8	5.7	7.8	63.2	36.8	100.0	36.96
1981	50.0	5.9	7.7	63.6	36.4	100.0	41.9
1982	49.9	6.6	7.8	64.3	35.7	100.0	47.19
1983	47.9	7.3	9.3	64.5	35.5	100.0	51.27
1984	46.5	7.7	9.9	64.1	35.9	100.0	58.92
1985	45.4	7.8	10.6	63.9	36.1	100.0	65.77
1986	44.1	8.0	10.8	62.9	37.1	100.0	73.75
1987	43.9	8.8	10.5	63.1	36.9	100.0	80.49
1988	44.9	8.8	9.4	63.1	36.9	100.0	93.7

Source: The Bank of Korea, Economic Statistical Yearbook, 1978, 1984, 1989.

Table 5. Ratio of Loans from Deposit Money Banks to Industry Output

Industry	1971	1975	1980	1985	1988
Ratio of Loans to GNP	0.26	0.27	0.33	0.43	0.39
Agr. Forest, Fishing	0.14	0.12	0.19	0.28	0.38
Mining	0.50	0.23	0.26	0.23	0.25
Mfg	0.61	0.63	0.62	0.68	0.54
Elec, gas, water	0.17	0.11	0.07	0.05	0.02
Constructions	0.53	0.50	0.47	0.85	0.81
Wholes. & Retail, Trade	0.15	0.10	0.16	0.32	0.24
Transp. & Storage	0.10	0.18	0.14	0.16	0.17
Fin. Insur., Real Estate	0.13	0.12	0.08	0.09	0.06
Comm. soc. service	0.11	0.12	0.12	0.41	0.26
Other Misc.	0.12	0.11	0.43	0.52	0.62

Source: Author's calculation from, the Bank of Korea, *Economic Statistics Yearbook*, various issues
Ratio=Amount of Loans of DMB to each sector/Industry Output of each sector.
GNP is defined as 1985 market values.

of the institutional approach can be found in its interdisciplinary links with other works and in its complementary explanations for geographical interests. The institutions may induce spatial outcomes through the goals of institutions, the system of regulation, and its internal structure.

In geography, the institutional approach has been developed in three different research

Table 6. Composition of Loans from Deposit Money Banks by Industry.

Industry	1971	1975	1980	1985	1990
Total Loans to Industry	100.0	100.0	100.0	100.0	100.0
Agr. Forest, Fishing	14.6	11.0	8.5	8.5	10.0
Mining	2.5	1.3	1.1	0.5	0.4
Mfg	49.5	60.3	54.7	43.6	42.0
Elec, gas, water	1.1	0.5	0.4	0.4	0.2
Constructions	9.8	8.9	12.0	15.8	16.5
Wholes. & Retail, Trade	10.9	6.9	8.2	9.3	7.2
Transp. & Storage	2.6	3.9	3.3	2.9	2.9
Fin. Insur., Real Estate	2.0	1.8	1.7	2.5	5.6
Comm. soc. service	3.6	3.3	2.9	4.1	3.1
Other Misc.	3.4	2.0	7.3	12.4	12.2

Source: The Bank of Korea, *Economic Statistical Yearbook*, *various* issues.

frameworks: *the study of the state*, *the managerial approach*, and *the regulation approach*. First, the institutional approach can be found in studies of the state. It has been recognized that the state plays a key role in shaping geographical patterns. The nature of the state function and its institutional apparatus have been considered theoretically and welfare issues and policy analysis have been examined empirically.

Second, institutions are regarded as urban managers by the managerial approach. Focus is given to the role of managers and institutions in creating urban structure. But questions have been raised about the relationship between managers and social structure, which may be extended into the broad debate of agency and structure problems in geography.

Third, the regulation approach regards institutions as an element of mode of regulation supporting the regime of accumulation. Regulationalists recognized that the development of capitalism is mediated through institutional forms, regulatory institutions, and norms of conduct. In relation to production system changes, they stress the importance of institutions in guiding the production system. Also, the regulation approach can give new meaning to institutions by recognizing institutions as the outcome of social struggle and the play of power. However, some questions can be asked about the definition of regulations, the stability and coherence of regulation concerning crisis, and the autonomy of institutions themselves. The general problem of the institutional approach lies in the question of whether institutions are understood as an active force able to change environment, or a passive force influenced by environment.

The application of the institutional approach into the Korean financial systems reveals the unique changes of the institutional forms from rigid hierarchical forms to more flexible hierarchical forms throughout four different stages of financial evolution. The main factor bringing changes into the financial system is from government regulation and deregulation.

We can identify four different stages with different impacts on the spatial structure of financial systems, which strongly suggested that the financial system influences the industrial structure of the Korean economy by controlling money flows into different industrial sectors. The characteristics of each stage can be summarized as follows:

(1) The stage prior to 1961: continuation and improvement of the Japanese built financial system; the Korea Development Bank (1954), the Korea Agricultural Bank (1956), and the Bank of Seoul (1959) were established. The Korean financial systems revealed a very narrow spatial range of distribution because financial institutions were mainly located in Seoul and a few provincial centers.

(2) The stage of new experiments (1961-71): creation of new banking institutions; six

specialized banks were created including the Small and Medium Industry Bank (1961), the Citizen's National Bank (1962), the Korea Exchange Bank (1967), the Korea Trust Bank (1967), the Korea Housing Bank (1969), and the National Federation of Fisheries Cooperation (1962). Ten local banks were established and went into service. Six foreign bank branches were added to the Korean financial system. Provincial cities increased their financial functions by establishing new banking branches. The spatial range of the financial network was expanded into small and medium sized cities.

(3) The stage of financial repression (1972-1979): rigid government control over the financial sector and discouragement of the unregulated curb market (private money market); and the government attempt to absorb the unregulated curb market into the regulated sector by encouraging the establishment of the nonbank financial institutions. The Korea Export-Import Bank (1976) was established and various types of nonbank financial institutions were created. In this period, just a few newly emerged industrial cities like Kumi were added to the financial network while the Seoul metropolitan region reinforced its financial function by locating new nonbank financial institutions.

(4) The stage of financial liberalization (from 1980-present): newly created nationwide city banks including the Shinhan bank (1983), the Donghwa bank (1989), the Dongnam bank (1989), and the Daedong bank (1989); establishment of the specialized banks including National Livestock Cooperative Federation (1981) and the Korea Long-term Credit Bank; overlapping roles between banking and nonbank operations: and adopting new banking technology like the automatic teller machine (1985). While financial institutions increased their number in the Seoul metropolitan region enough to reinforce its financial activities, the financial network was also expanded into small and medium sized cities around the nation.

Notes

1) Other type offices include: (1) the small mechanized office, which has fewer than 8 employees with an automated machine; (2) the temporary seasonal office, which is event-oriented; (3) the automated teller machine; (4) the mobile bank; (5) the portable terminal; (6) visiting offices which are temporarily sent out to certain facilities for convenience. (Bank of Korea 1991, pp.14-16)

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지리학에서 제도적 접근법에 관한 연구
-한국금융부문의 제도적 변화를 사례로-

최 재 헌*

본 연구는 지리학에서 최근 대두되고 있는 제도적 조직체(institutions)에 관한 연구를 접근 방법으로 인식하기 위하여 이를 제도적 접근법이라고 칭하고, 그에 대한 정의와 지리학 내에서의 연구 경향을 살펴본 후, 적용의 예로 한국경제발전의 공간적 구조를 설명하기 위한 측면에서 금융기관이 담당하였던 역할을 제도적 조직체의 특성면에서 고찰하고자 하였다. 제도적 조직체에 관한 연구방법은 지리학에서 뚜렷한 방법론의 하나로 인식되어 오지는 않았으나 최근 자본주의 사회에서 공간 구조를 결정짓는 작인으로 지리학에서 추구하는 공간의 패턴과 과정에 설명력을 부가하여 줄 수 있다는 측면에서 긍정적으로 평가되고 있다. 제도적 접근법은 제도적 조직체의 공간적 역할을 규명함으로써 지리적 현상에 대한 설명을 추구하는 접근법이라고 정의할 수 있다. 그러나 먼저 제도 조직체에 대한 정의와 제도 조직체가 공간에 미치는 현상에 대한 일반화 문제, 제도 조직체적 접근 방법이 가지는 장점과 단점 등에 관한 논의가 선행되어야 한다.

제도적 접근법이 공통의 관심 대상으로 하는 제도적 조직체(institutions)에 대한 연구는 일찍부터 사회학에서의 조직 이론(organization theory)과 경제적에서 Veblen에 의해 발달되었던 제도경제학파의 이론, 투자와 금융기관의 역할을 강조한 후기케인즈학파, 그리고 자본축적의 과정에서 국가, 대기업, 금융기관 등의 역할을 강조하고 있는 정경주의적 접근 방법(political economy approach)등에서 구체적인 관심과 정의를 발견할 수 있다. 특히 제도경제학파에서는 제도적 조직체를 제도(a rule of game)와 조직(organization)으로 정의하고 있다.

지리학에서 제도적 조직체에 대한 정의는 제도 경제학에서 발달한 것과 같은 유사한 토대 위에서 역시 행동을 통제하는 제도와 조직으로 정의가 가능하다. 즉 제도적 조직체란 조직의 내부 구조와 제도에 의해 활동에 영향을 받는 객체라고 할 수 있다. 그러나 지리학에서의 제도적 조직체에 대한 연구는 지리학적 대상을 설명하는데 그 초점을 두고 있다는 점에서 경제학에서의 접근과 다르다. 즉 지리학에서는 제도적 조직체가 지리적 패턴 형성에 어떤 역할을 하는가라는 질문이 핵심이 된다. 제도적 조직체를 다루기 위한 구체적 사항으로 제도적 조직체의 목적(the goal of institutions), 규제 제도(system of regulation), 조직의 특성(internal structure) 등이 공간적 특성과 자원의 공간

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지리학에서 제도적 접근법에 관한 연구 경향은 첫째, 초기의 정책 및 제도를 공간적 관점에서 관심을 두었던 연구와, 둘째 정부와 국가의 역할에 관한 연구, 세째 'urban managerialism' 적인 전통, 네째 생산체계와 관련된 조절학파(regulation approach) 등으로 요약 가능하다. 첫째, 초기의 제도적 조직체에 관한 연구는 주로 정부 역할에 대한 평가를 기술하는 것으로 이루어졌다. 계량혁명이후 제도적 조직체에 관한 연구는 미약하였지만 행태 주의자들에 의해 조직행태와 의사결정 과정을 다룬 연구에서 부분적으로 발견된다. 둘째, 이론적이고 경험적인 측면에서 정부를 제도적 조직체로 보고 그 지리적 영향을 다룬 연구들에서는 이론적 측면에서 지리적 현상에 영향을 미치는 정부의 본질과 기능을 다루면서 자본주의의 한 구성요소로서 정부를 보는 관점과, 자본주의로 부터 독립적인 영역으로서 정부의 역할을 보는 관점 사이에 논쟁이 전개되었다. 또한 경험적인 연구로 정책적 문제부터 제도적 변화 등이 다루어 졌다. 세째, 'urban managerialism' 적 전통에서 제도적 조직체를 강조하고 있다. 'gatekeeper' 또는 'manager'로 대표되는 제도적 조직체가 도시내의 토지이용을 결정짓는 작인으로 인식되어 이들에 의해 사회적인 제약 요건이 설정됨으로써 도시내에 상이한 자원 배분이 일어난다고 보는 것이다. 그러나 제도적 조직체가 사회구조(social structure)에서 독립된 역할을 수행하는지의 여부가 쟁점이 된다. 네째, 프랑스 조절학파에 의한 조절론적 접근법(regulation approach)에서 제도적 조직체는 축적 제도(regime of accumulation)를 지지하는 조절 양식(mode of regulation)의 한 구성요소로 이해되어 진다. 즉 자본주의의 발달은 생산제도와 조직체 및 조직체의 활동에 의해 특징 지워지며, 제도적 조직체는 생산 체계와 밀접한 연관이 잇다는 것이다. 그러나 조절 양식(regulation)의 정의와 위기시의 조절양식의 안정성, 제도적 조직체의 독립성 등의 측면에서 많은 의문점이 제기되고 있다.

제도적 조직체로서 한국의 금융기관을 보면 먼저 그 목적상 한국의 금융기관은 경제발전에서 자본 형성을 위한 수단으로서 역할을 수행하여 왔다. 조직적면에서 볼 때 한국의 금융기관은 지점망제도를 채택하고 있으며 금융의 자유화가 추진된 1980년대 이후 엄격한 수직적 구조로 부터 완화된 수평적 계층구조로 변화하였다. 이것은 한국은행, 예금은행(일반은행과 특수은행), 비은행 금융기관으로 이루어 지는 구조 내에서 보험회사와 투자신탁 등의 비은행 금융기관의 비중이 증대되었음을 의미한다. 이와 같은 현상은 금융의 자유화가 본격화된 1980년 후반부터 더 뚜렷이 나타나며 집중과 분산으로 대표되는 공간적 패턴은 지역경제의 발달과 깊은 연계를 보이고 있다.

제도적 측면에서의 금융기관의 발달은 경제개발과 병행된 정부의 금융통제강화와 금융통제완화의 이원적 틀 속에서 이해된다. 제도적 측면에서의 금융의 발달은 (1) 1961년 이전의 초기 단계; (2) 금융실험단계(1961-71); (3) 금융억압단계(1972-79); (4) 금융자유화단계(1981년 이후)의 4단계로 구분할 수 있다. 금융의 발달은 금융 활동의 엄격한 통제에서 자유화로 가는 일반적인 경향을 나타내고 있다. 각각의 단계별로 새로운 은행법 및 제도의 변화가 나타나며, 이것은 금융기관의 입지에 영향을 미쳐 공간적으로 상이한 분포 패턴을 야기하고 있다.

제도적 조직체에 관한 연구는 제도적 조직체의 구조와 활동에 초점을 둠으로써 지리적 현상에 대한 설명력을 더할 수 있고, 학제적인 접근을 꾀하여 상이한 분야간에 공동적인 관심을 증가시킬 수 있다는 장점이 있지만, 일반적 문제점으로 제도적 조직체에 관한 정의와 관련하여 제조적 조직체 자체를 주위환경을 변화시킬 수 있는 능동적인 작인으로 보는가, 또는 주변 환경의 영향을 받아 형성된 수동적인 산물로 파악하는가 하는 점이 'agent'와 'structure' 논쟁의 틀 속에서 지적될 수 있다. 또한 어떻게 상이한 형태의 제도적 조직체가 지리적 패턴에 미치는 영향을 일반화 할 수 있는가라는 점에서 많은 연구가 이루어져야 된다.

주요어: 제도적 접근법, 제도조직체, 금융체계, 한국경제발전, 은행활동, 제도적 변화