



KDI SCHOOL

WORKING PAPER SERIES

KDI 국제정책대학원

KDI School of Public Policy and Management

KDI SCHOOL WORKING PAPER SERIES

Lessons from SOE Management and Privatization in Korea

Jin PARK

December 2009

Working Paper 09-16



This paper can be downloaded without charge at:
KDI School of Public Policy and Management Working Paper Series Index:
<http://www.kdischool.ac.kr/faculty/paper.asp>

Lessons from SOE Management and Privatization in Korea

Jin Park, Ph.D. / Professor
KDI School of Public Policy and Management

Table of Contents

1. Definition of SOEs in Korea

2. Privatization in Korea

- 2.1 Background: The changing role of the government
- 2.2 Reduced Roles of SOEs
- 2.3 Overview of Privatization History

3. Issues in Privatization

- 3.1 Problems of SOEs
- 3.2 Defending Arguments for privatization
- 3.3 The Benefits of Privatization

4. Recommendation for Developing Countries

- 4.1 Privatization Strategy
- 4.2 Driving force for SOEs Reform
- 4.3 SOE Management System
- 4.4 Other Reform Measures

Reference

JEL code: L32, L33

Key words: privatization, state-owned enterprises, government reform

Abstract

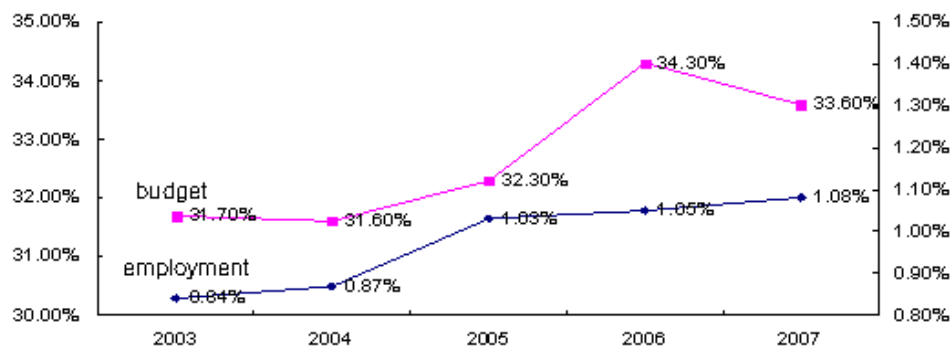
This paper suggests following strategies for the success of privatization. (1) Utilize the audit office in finding inefficient management cases so that the general public understands the need of a privatization. (2) Reform the reformer first, and create a driving force that specializes in reform. (3) Set a deadline for each step towards privatization (4) If you cannot private a whole SOE, privatize function by function in each SOE. However, for a privatization to be successful, the most important factor is the political commitment.

1. Definition of SOEs in Korea

As of the end of 2008, there are 305 public entities in Korea defined by the Public Entity Management Act. Public entities have two features. First, they should be government-affiliated organizations in the sense that their budgets or mandates are controlled by the government. Second, the employees in the public entities are not civil servants though many of their codes of conduct follow those of the civil servants.

The 305 public entities are very significant part of the economy. Their total 2008 budgets amount to 300 billion USD compared to a little more than 200 billion of the central government's. The level of the total budget of public entities is somewhat misleading because it includes input costs such as coal imports of Korea Electricity Power Corporation and apartment construction costs for Korea Land and Housing Corporation. The total employment of public entities is 0.26 million, which is 43% of central government's. The ratio of their total budget out of GDP is 33.6%, and their total assets are 85% of the GDP. And these shares have been increasing in the recent years as the following figure shows.

< Figure 1: relative importance of public entities >



Source: Ministry of Strategy and Finance, 2008.8.11 (modified)

An SOE is a part of the public entities. If its own revenue is more than 50% of the total revenue (own revenue + revenue from government budget), it is defined as an SOE, and if it less, it is called semi-government organization. There are 23 SOEs and 77 semi-government organizations as of 2008. A common aspect of these two types is that they all have employees more than 50. If an organization has less than 50 employees, it is called 'the other public entities', of which number reaches 204 out-numbering the total of the other two types.

The 23 SOEs are all stock-companies whose shares are owned by the government or by the Korea Development Bank, one of 77 semi-government organizations. Depending on its own revenue share among the total revenue, the SOEs are again categorized into two: Market-type SOEs with 85% or more, semi-market type with 50%~85%. All of the market-type SOEs have assets more than 2 billion USD, and generally bigger in terms of its revenue and employment than the SOEs in the semi-market type. These market-type SOEs are generally considered candidates for privatization. However, there are many SOEs in the semi-market type or even in the semi-government type that can be privatized either entirely or partially.

<Table 1: Public entities and its size as of 2008>

	Total	SOEs		Semi-government organization	other public entities
		market	semi-market		
number of organization	305	6	18*	77	204
employees (thousand)	259	28	60	66	105
'08 budget (billion USD)	300	50	70	100	80

Source: Ministry of Strategy and Finance, 2008.8.11 (modified)

* After the Korea Housing Corp. and Korea Land Corp. merged Oct. 2009, the number of SOEs are now 23.

<Table 2: List of 23 SOEs in Korea>

	Name	Ministry
market-type	Incheon International Airport Corporation	MLTM
	Korea Airports Corporation	MLTM
	Korea Gas Corp.	MKE
	Korea Electricity Power Corp.	MKE
	Incheon Port Authority	MLTM
	Busan Port Authority	MLTM
semi-market type	Korea Container Terminal Authority	MLTM
	Korea Land and Housing Corp.	MLTM
	Korea Expressway Corp.	MLTM
	Korea National Oil Corp.	MKE
	Korea Water Resources Corp.	MLTM
	Korea District Heating Corp.	MKE
	Korea Railroad Corp.	MLTM
	Korea Housing Finance Corp.	MLTM
	Korea Workers Accident Medical Center	Ministry of Labor
	Jeju Free International City Development Center	MLTM
	Korea Appraisal Board	MLTM
	Korea Racing Agency	MCST
	Korea Broadcasting Advertisement Corp.	MCST
	Korea Tourism Organization	MCST
	Korea Minting and Security Printing Corporation	MOSF
	Korea Coal Corp.	MKE
	Korea Resources Corp.	MKE

MLTM: Ministry of Land, Transportation and Maritime Affairs

MKE: Ministry of Knowledge-Based Economy

MCST: Ministry of Culture, Sports and Tourism

MOSF: Ministry of Strategy and Finance

2. Privatization in Korea

2.1 Background: The changing role of the government

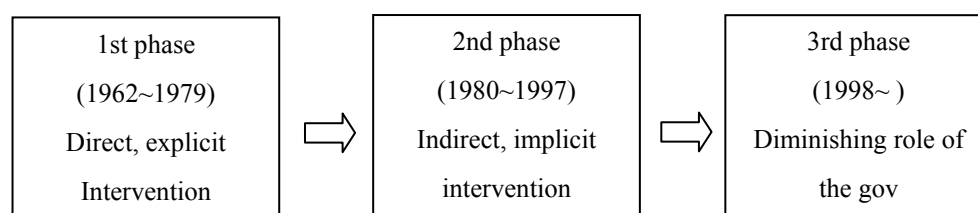
During the history of economic development in Korea in the past 45 years, the role of the

government has been replaced by the private sector. In the first phase (1963~1979), the government led the economic development either by orchestrating the private companies or by owning many SOEs. The government-led development was very effective in mobilizing labor and capital. The government not only picked leading industries but also winning companies through allocation of financial resources by banks.

In the second phase (1980~1997), the style of the government intervention changed. Excessive government intervention in the promotion process of heavy and chemical industries raised a question on the role of the government which as a result became rather indirect and implicit rather than explicit. It was more of a change in the style not in the scope or depth of the intervention. The private sector, on the other hand, rapidly grew in its size and diversity creating many business activities out of government controls especially in the financial sector.

The third phase (1998~now) made a real change in the role of government. After the economic crisis in 1997, Korea actively started reducing the role of the government based on a hard-earned lesson that the government failure could be more dangerous than the market failure. The reform is still under progress up to this moment, and there are still more miles to go.

<Figure 2: the change of government's role>



Throughout the development process, the source of growth has changed from labor and capital inputs to productivity increase. When resource mobilization is important during

60s~70s, the role of government was essential, but its role should be replaced by the private sector because companies are main players in productivity improvement, not the government. Markets are growing even in the fields where SOEs used to be the sole supplier.

2.2 Reduced Roles of SOEs

There are four reasons why the government needed SOEs. Most of the reasons are losing its logical ground as the economy gets matured. First, SOEs were necessary in the past because there was not enough capital and technology in the private sector for massive investment projects. The government therefore established and have SOEs do the investment with borrowed foreign capitals. POSCO and Namhae Chemical Corporation are those examples. Those SOEs are now all privatized, and lack of capital is no longer a reason why we need SOEs.

The second motivation for establishing SOEs was to raise government revenue in the early stage of development when there is not much of tax revenue. There is no SOE in this category now after Korea Tobacco and Ginseng Corporation (currently KT&G) was privatized in 2002.

Third, SOEs are necessary in the areas where private companies are reluctant to enter into the business because of unprofitable nature of the public mandates. Most of current SOEs including Korea Land and Housing Corp., Korea Tourism Organization, fall on this category. Much of those public needs are still to be met, but a problem is that many of the SOEs are making profits in the market using either superior or monopolistic position in order to meet those public mandates. A duty-free shop in the airports run by Korea Tourism Organization is a source of its public mandate, tourism promotion. The Korea Land and Housing Corporation is supplying commercial apartments to finance their public mission, rented apartments for the needy. However, those market activities

are eroding private suppliers' market share, and should be abolished. This abolition of certain functions can therefore be regarded as privatization of function, in which case, government should fill the loss of revenue by providing budgets if they want to continue the public mandate. The privatization of function is therefore not supported by the budget office in general.

Fourth, there are cases that government established SOEs to prevent private monopoly. Typical examples can be found in network industries such as electricity, gas supply, telecommunication etc. As the economy gets matured, however, the possibility of natural monopoly decreases thanks to expanded domestic markets and multiple potential private suppliers. The privatization Korea Telecommunication was an example.

Fifth, there are cases that the government had to take over bankrupted private companies shouldering their debts. Though those companies' major shareholder is the government, they are not quite SOEs in its true sense of the word. Rather, they are in the temporarily custody of government, and will be privatized soon as the Korean government announced August 2008.

2.3 Overview of Privatization History

Privatization has been a continuous effort since late 1960s though not all those efforts were successful. The most important privatization drive in the recent years was made under President Kim Dae-Jung (1998~2003) right after the economic crisis of 1997. President Roh (2003~2008), however, stopped many of reform measures that were planned under his predecessor. The privatization plans of electricity, gas, heating, railroad were stopped or postponed under President Roh. President Lee (2008~2013) revived many of President Kim's plan, and is very active in privatization. But many of his initial ambitious privatization plans were toned down after the candlelight vigil or demonstration touched off by government's hasty decision of the beef import from the

U.S.

<Table 3: Privatization Efforts in Korea>

phase	what has been done	main objective and evaluation
1st Phase (’68~’73)	<ul style="list-style-type: none"> ▪ privatization of 11 SOEs Korea Machinery Korea Transportation Korea Shipping Korea Ship-building Incheon Heavy Manufacturing Korea Steel / Korea Airline Korea Mining Refinery Korea Saltern / Commercial Bank Korea Fishery Development 	<ul style="list-style-type: none"> ▪ Birth of private companies → market economy ▪ successful privatization
2nd Phase (’78~’83)	<ul style="list-style-type: none"> ▪ Privatization of 7 SOEs Daehan(Korea) Reinsurance Daehan(Korea) Oil Daehan(Korea) Dredging Corp. Hanil Bank / Jale(First) Bank Seoul Trust Bank / Choheung Bank 	<ul style="list-style-type: none"> ▪ financial market promotion ▪ Since government's intervention did not stop, the objective of the privatization was not fulfilled.
3rd Phase (’87)	<ul style="list-style-type: none"> ▪ Privatization of Korea Stock Exchange ▪ Reducing government share in SOEs KEPCO(Korea electricity Corp.) POSCO(Pohang Steel Corp.) 	<ul style="list-style-type: none"> ▪ Maintains gov. influence even up to now ▪ Redistribution policy: Sale of gov share to individuals rather than companies ▪ It was not a privatization.
4th Phase (’93~’97)	<ul style="list-style-type: none"> ▪ Privatization Daehan(Korea) Tungsten Kookmin Bank / Housing Bank Other 7 subsidiaries of SOEs ▪ Reduce gov share of 22 SOEs 	<ul style="list-style-type: none"> ▪ Original target: privatization of 58 SOEs except some infrastructure-related SOEs such as telecom, electricity etc. ▪ Only partially successful (Conglomerate's dominance was an issue.)
5th Phase (’98~’02)	<ul style="list-style-type: none"> ▪ Privatization of 8 SOEs (original plan was 12 SOEs) ▪ Privatization of 67 subsidiaries of SOEs (original plan was 77) ▪ Restructuring and downsizing 	<ul style="list-style-type: none"> ▪ Extensive privatization plan to reduce public sector after the economic crisis (’97) ▪ 4 network industries are not privatized yet. (Electricity, Gas, Railroad, Heating)
6th Phase (’08~’10)	<ul style="list-style-type: none"> ▪ Privatization of many subsidiaries ▪ Privatization of functions 	<ul style="list-style-type: none"> ▪ still under progress

Source: Ministry of Strategy and Finance, 2008.8.11 (modified)

3. Issues in Privatization

3.1 Problems of SOEs

Inefficiency

It is a cliché to say that the SOEs are not efficient as private companies. From the labor union's point of view, more staffs means less work and more union members. A private company cannot sustain such inefficiency, but SOEs can because they have no possibility of bankrupt. A survey by the government shows that per capita value addition has increased by annual average 1.8% during 2002~2007 whereas per capita personnel cost has jumped by 6.6% for 35 big SOEs and semi-government organizations in Korea. The fact that a labor union strongly resists to any privatization plan shows that there are some compensation differentials for SOEs.

SOEs are relatively slow in adapting themselves to the changing environment. In many cases, they have weak incentive to change, and when they want to, it takes a long time since the change should be discussed with the government and stakeholders and even with the legislature for a possible need for revision of laws.

The collusion between the CEO and labor union is another source of inefficiency of SOEs. The goal of a CEO of an SOE will be one of the following three: good performance, longer terms in office, next position. A conflict with the labor union could be a hindrance to achieving his goals. In order to attract labor union's support, a CEO tends to be generous to union's request since the budget comes from the government not from his pocket.

Eroding private sector

To finance the public mandates, many SOEs are making profits eroding the private

market. In order to protect its monopolistic power in the market, SOEs ask the government to levy regulations. The government grants their wish because it will save the government budget to support the market erosion of SOEs. The collusion between the government and SOEs victimizes the private sector.

Political decision

Some of SOEs in Korea have serious debt problems. For instance, the Korea Land and Housing Corp. is now incurring a debt every year by almost 18 billion USD. It is because the government makes SOEs issue bonds rather than gives them enough budget. The government has a tendency to start a big project without much deliberation when it is done by SOEs, for it does not need a budget. As a result, there are many SOE projects that are politically motivated. An investment decision in a private company is mainly based on the profit prospects, but that of an SOE is in many cases relies on political decision. Many under-utilized airports in Korea are examples of such political intervention.

Low pricing for many services provided by SOEs such as electricity, water, gas is aggravating the financial status of SOEs. The low pricing is also a result of political decision. The current generation is enjoying lower rates, which will have to be financed by future generation's tax anyway. In this respect, this is another form of collusion among the government, SOEs and the current generation victimizing the future generation.

3.2 Defending Arguments for Privatization

Possibly higher price for the public service

The strongest argument from the anti-privatization group is that privatization will

increase the price of the service or goods provided by SOEs. We need to think about whether the low price is beneficial to the economy. First, a low price is applied to all the people regardless of their income level. A low electricity price, for instance, is enjoyed by the rich and the poor. Though there is a progressive nature in the pricing scheme, heavy users are subsidized by the other people. Second, a low price brings about a waste of resource as we can see in the case of water consumption in Korea. There is a Korean expression that shows how wastefully Korean people use water: spend money as if it is water meaning spend money too lavishly. Third, a low price is one of the background of the heavy debt of SOEs, and it is a way of passing current generation's burden to the next generation.

However, a lower price level can also be achieved through privatization. A privatized company can reduce input costs, and increase revenue by more active marketing. If there is still a need for a low price after the privatization, the government can maintain the price regulation even after the privatization.

Protect the needy

Some people say that a profit-driven company may neglect the protection to the needy. In principle, however, the protection should be provided by social welfare policy not by SOEs. One example is a train station in a remote area which has only around 20 customers every day. There are people saying that if the Korea Railroad is privatized, the station will be shut down, which will be most likely true. For the government, however, it is much more efficient 'protection' to the people to offer a bus service than to maintain the station and to suffer from lower average train speed. Protecting the needy is an important policy goal, but it is the role of the social policy, not of SOEs.

Foreign Ownership

When SOEs are turned over to the hands of foreign capital, it may create a problem of economic dependency. This worry is not groundless especially when it comes to key industries such as electricity. Therefore, one can put on a regulation for foreign capitals such as ceiling of share allowed to foreigners in some industries. The U.S. also imposes such restriction on foreign capital in the nuclear industry. Of course, the government should understand that more restriction will make the privatization less attractive to foreign investors.

Concentration of economic power

It is a reality that only a big company can afford to buy SOEs. There are people who say that privatization will widen the gap between companies by making the big even bigger. There is also a public opinion that a buyer of an SOE is to get some special favor from the government. With a view to avoiding the political burden, the government may consider mass privatization: share-holding by many individuals without making a dominant holder. However, we need to understand that the mass privatization method creates a private company without the owner, which may not be as efficient as the one with an owner. Therefore, the issue of economic concentration and favoritism is not challenging the privatization itself, but privatization methods.

Possibility of employment cut

A possibility of downsizing is the main reason why the labor union is such strongly against the privatization in every country. Some even say that SOEs need to alleviate unemployment problem, which is true in the short run. In the long run, however, if public sector absorbs much of the eligible human resource which is very scarce in most of developing countries, the over-employment in SOEs will undermine the growth of the private sector.

The magnitude of the employment adjustment will vary depending on the nature of each industry. A privatization of financial institutions will entail significant employment cut since personnel cost is a dominant part of input. However, infrastructure or network industries may not need such a serious downsizing because for such industries facility-running costs are relatively more important and also because they may have higher demand induced by more active marketing and diverse price scheme after the privatization. Many private companies guarantee employment protection around 3 years after the M&A. The SOEs to be privatized may consider such bargaining chips when they negotiate with labor union.

3.3 The Benefits of Privatization

Though there are contrasting views on the benefits of privatization, the Korean experience supports pro-privatization arguments. During 1998~2002 right after the economic crisis, the privatization drive under Kim Dae-Jung administration introduced additional revenue of 15 billion USD together with higher country rating, which significantly helped Korea overcome the crisis. On top this macro effects, there are several micro-level benefits in the case of POSCO, National Textbook Corporation, Korea Technology Finance, Korea Oil Pipeline, Korea Heavy Corporation, which were privatized around year 2000.

First, the prices were either lowered or maintained at the pre-privatization level thanks to cost minimization and process innovation. The POSCO and National Textbook Corporation were the examples. Second, their core activities became more competitive. Korea Heavy Corporation enjoyed drastic rise in volume of orders after privatization, and Korea Oil Pipeline has higher market share after privatization. Third, the service has been improved as in the case of POSCO who reduced the lead time thanks to the new integrated system established after privatization, and National Textbook's product was better received in terms of consumer satisfaction after privatization. Fourth, the profit has

increased as a result of more active marketing activities and cost cuts. All four privatized companies turned from the negative to positive profits after the privatization. POSCO couldn't quite reach to the positive profits, but reduced the deficits significantly whereas the other competitors in the U.S. and Japan had to face more deficits. Fifth, all five privatized companies showed a more sound financial standing after privatization. It is not surprising that the stock prices have been doubled on average reflecting their better performance in various aspects.

4. Recommendation for Developing Countries

4.1 Privatization strategy

Among those arguments opposing privatization, transfer of ownership to foreign capitals is a more serious problem in developing countries than in Korea. It makes a sense to say that infrastructure-related industries and network industry should not be privatized for some time in many developing countries. If these industries are to be privatized, foreign capital's dominance in the economy will be much more serious. For developing countries, encouraging domestic capital accumulation is an essential policy objective.

Privatization of those neither infrastructure nor network industries will benefit the economy in many ways. Even when there seems to be no such domestic buyer, and when the foreign capital is the only viable option left, we still need to private SOEs because the benefit of higher efficiency from privatization outweighs the costs of transferring ownership to foreign capital.

For a privatization to be successful, the most important factor is the political commitment. It is better not even try to consider privatization without strong political determination. If there is a political will, there are some of the strategies that developing countries want to

apply.

First, the most serious resistance against the privatization comes from the trade union's concern about their job security. Temporary guarantee of employment for 2~3 years after the privatization can be a compromise between the labor union and the government. However, without a flexibility of reducing employment, we won't be able to find any prospect buyer.

Second, utilize the audit office in finding inefficient management cases so that the general public understands the need of a strong reform including privatization. The investigation of the audit office should be of course widely publicized through news media.

Third, form a temporary team that consists of both civil servants and experts from the private sector under the SOE governance body. SOE reform should be a responsibility of the SOE governance body, not that of line ministries nor of the Ministry of Finance in charge of national assets. When the team formulates a privatization plan, let the team talk with the line ministries. But we should make it clear that the final decision should be made in SGC not by the line ministries. It is therefore very important to staff the temporary team with reformative experts from the private sector.

Fourth, the plan may take phased approach, but the final step should be completed within the President's term. Each step proposed in the plan should have a clear deadline and measures to judge whether or not one step is over. It is a good idea to make a privatization of a certain SOE clearly stated in a law.

Fifth, create a driving force within a relevant line ministry, and make them accountable to the SOE governance body. The government should be ready to punish the line ministry for a possible delay. Providing an incentive for the line ministry is a good strategy. One example could be to establish a new policy department within the line-ministry after

privatization.

Sixth, if you cannot private a whole SOE, privatize each function SOEs have. When an SOE has both market and public functions, it argues that it should remain as a SOE to serve the public function. Privatization of such an SOE as a whole is in fact not feasible, and we should pursue privatize function by function.

Seventh, EBO (employment buyout) or MBO (management buyout) is not an ideal way of privatization because it makes restructuring after privatization difficult. When the labor union wants EBO, let them understand the risk involved after privatization.

Eighth, try to create tangible effects out of privatization as quickly as possible, and share them with the public. Quick win is always important as Kotter (1996) says. Announce the effects of privatization widely to gain public support for privatization.

4.2 Driving force for SOEs Reform

It is advised to establish SOE Governance Council (SGC) which has wide range of authority to reform SOEs. Here are some of the features that a reform driver needs to have.

First, its mandate should be focused on reform, not anything else. In the history of privatization in Korea, Planning and Budget Commission (PBC) under President Kim was the most powerful and effective driving force. It was directly under the President, and its mission was to formulate fiscal planning and government reform. With a help of the fiscal planning function, the reform could be more easily implemented. Since PBC was free from day to day issues, it could concentrate its energy on the government reform.

Second, the reform driver should have wide spectrum of responsibility and better to have staff composition mixed of private and public sector people. PBC's work scope was 'government reform' which was very wide enough to cover privatization of SOEs, integration of ministries, reducing teachers' retirement age, e-government, handling complaints to the government etc. The legislature and judiciary were outside of the coverage of PBC, but almost every aspect of the administration and its branches was within PBC's coverage. GRO also recruited many people from the private or quasi-government sector. This mix of staffs generated both competition and synergy.

Third, the privatization should be led by an organization that does not have incentive not to privatize. Before 1997, privatization was driven by the co-work between the relevant line ministries and Ministry of Finance (MOF) who was in charge of managing national assets. MOF had little incentive to privatize SOEs because they viewed privatization as a policy to reduce national assets. The line ministries of course had no incentive to privatize SOEs under their umbrella because privatization meant loss of their policy tools and employment opportunity after retirement. This institutional arrangement was one of the reasons why privatization was slow in Korea during 80s~90s.

Fourth, there should be a SOE Governance Council that consists of members from the line ministries and the private sector to make it a final arena for significant decision making. Since privatization was trans-ministrial work, PBC established SOE Privatization Committee (SPC) chaired by the Minister of PBC. As a face-saving gesture, the vice chairmanship was given to the Vice-Minister of MOF. Members of the SPC were Vice-Ministers of relevant ministries, an advisor to the President. Two experts in the private sector were also invited as members as a way to provide a neutral view.

Basic privatization plans prepared by PBC were consulted with the relevant ministries. GRO tried to accommodate comments suggested by the line ministries but not all. Vice-Ministers in line ministries could express their opinions in SPC, but in fact it wasn't

easy for them to do so in front of the chairman of PBC and the advisor of the President both of whom already agreed upon every agenda forwarded to the SPC. Two experts from the private sector were also in line with the PBC. Since SPC was fully empowered by then President Kim, it made controversial consensus building process much easier. Though the labor union was not happy with this swift process, the social pressure right after the economic crisis of 1997 made them relatively silent through the process.

4.3 SOE Management System

I would like to suggest an annual evaluation system for SOEs that links the result to the bonus for employees in each SOE. In Korea, there are three management mechanisms for SOEs facilitated by the government: direct supervision by the Operation Committee for Public Entities (OCPE), internal checking system, monitoring by NGOs and media. The OCPE is to determine all the important decisions for public entities including SOEs chaired by the Minister of the Strategy and Finance with vice ministers in relevant ministries and experts in the private sector.

<Table 4: The Management Scheme for Public Entities by the Government>

		Coverage		
		23 SOEs	77 semi-government bodies	204 other public entities
supervision by OCPE	management direction	○	○	×
	evaluation	○	○	△
	evaluation on auditor performance	○	△	×
	dismissal request for directors	○	○	×
	review for a new establishment	○	○	○

	function adjustment	○	○	○
Internal checking	Board meeting	○	○	×
	selection process for board directors	○	○	×
Monitoring by NGOs and media	public notice for corporate information	○	○	○
	consumer satisfaction survey	○	○	○

Source: Ministry of Strategy and Finance, 2008.8.11 (modified)

One important management scheme by the OCPE is the evaluation for public entities. Every year, the OCPE organizes evaluation board that consists of around 100 experts in the private sector. The board evaluates CEOs and SOEs separately. Some people think that the evaluations on CEO and SOE are redundant, and should be integrated. The SOE evaluation is divided into quantitative and qualitative evaluation. The qualitative evaluation is again categorized into leadership and strategies, major performances, and management efficiency. The consequence of the evaluation is rather harsh: the ones with the worst CEO evaluation will have to resign, and the bonus level ranges 100~500% of each employee's monthly salary depending on the result of SOE evaluation.

The SOE governance scheme has been changed over the years in Korea. Before 1984, SOEs were controlled by each line ministry. Two government officials one from budget ministry and the other from line ministry participated in the board meeting. In 1984, the evaluation system for SOEs was first introduced. It was only year 2004 that semi-government bodies and the other public entities got started to be evaluated by the government, and in 2007, the law was enacted to manage all the public entities under one law on Public Entity Operation. By OCPE, the division of labor between the Ministry of Strategy and Finance (MOSF) and the line ministries are cleared: management supervision by OCPE chaired by the MOSF Minister, and project supervision by corresponding line ministry.

Transparent information sharing on SOEs is also very important means to better manage the SOEs. An important scheme in Korea is the Internet-based Information Open System for Public Entities called Alio (www.alio.go.kr), which mandates public entities to open 27 information through the Internet, which is accessible to everyone. The 27 information includes staff number, number of division, personnel costs, important financial indexes, major performance indicators, even minutes for board meetings and consumer satisfaction survey result etc. The MOSF reviews the adequate provision of information on an annual basis, which is reflected in the SOE evaluation which again is linked to bonus compensation. The number of Internet connection to (www.alio.go.kr) reached over 2 million in the year 2008.

4.4 Other Reform Measures

Corporitization

There are other measures of reforming SOEs than privatization. Some of government branches can better serve their functions if they are turned into SOEs. It should be noted that corporatization is a stepping stone for privatization. For instance, Korea Railroad Corp. used to be a government agency under Ministry of Transportation, but it has turned into a SOE in 2005. The privatization plan for Korea Railroad has been postponed by the Roh administration (2003~2008). It is expected that the privatization process will be resumed soon. KT&G (Korea Tobacco and Ginseng Corporation) also used to be a government agency, which became a SOE, and was privatized. KT (Korea Telecom) followed the same foot-step with KT&G.

Integration

Other than privatization, integration of SOEs could be an effective measure to enhance productivity and quality of service. Integration is a big shock to relevant SOEs, and the

government can implement massive restructuring taking integration as an opportunity. Integration, of course, entails many side effects such as creating a dinosaur SOE, internal conflicts after integration, chaos before and after the integration. These costs are, however, rather temporary considering the permanent benefits of integration, which as follow.

First, when continuous business procedures are performed by two separate SOEs, integration of those two will reduce loss of information in the course of procedure shifts between two SOEs. A typical example is the Land Corporation and the Housing Corporation. The integration of two SOEs, which became in effect from October 1st 2009, will reduce the construction period and costs. Another example is the integration of Korea Workers Accident Medical Center and Korea Workers Compensation & Welfare Service.

The second case is when two or more SOEs are conducting similar functions, in which case integration of those will bring about economies of scope. One example is three promotion agencies for Internet, Information Protection, International IC Cooperation respectively. Another example is three promotion agencies for cultural contents, game industry, and media & movies. The employees working those organizations have a lot either in common or in complementariness in terms of their specialties, therefore, can benefit each other when the organizations are integrated.

Third, there are even cases where much of two SOEs' functions are redundant. Some people defend the redundancy mentioning possible competition between SOEs. However, competition is a productive pressure only when the result of the competition has serious impact on the winner and the loser, which is not the case in SOEs. One example is the National Computing Agency and the Government Computing Center which are now integrated, and another example is the Land Corporation and Housing Corporation in the field of the housing estate development.

Other efficiency measures

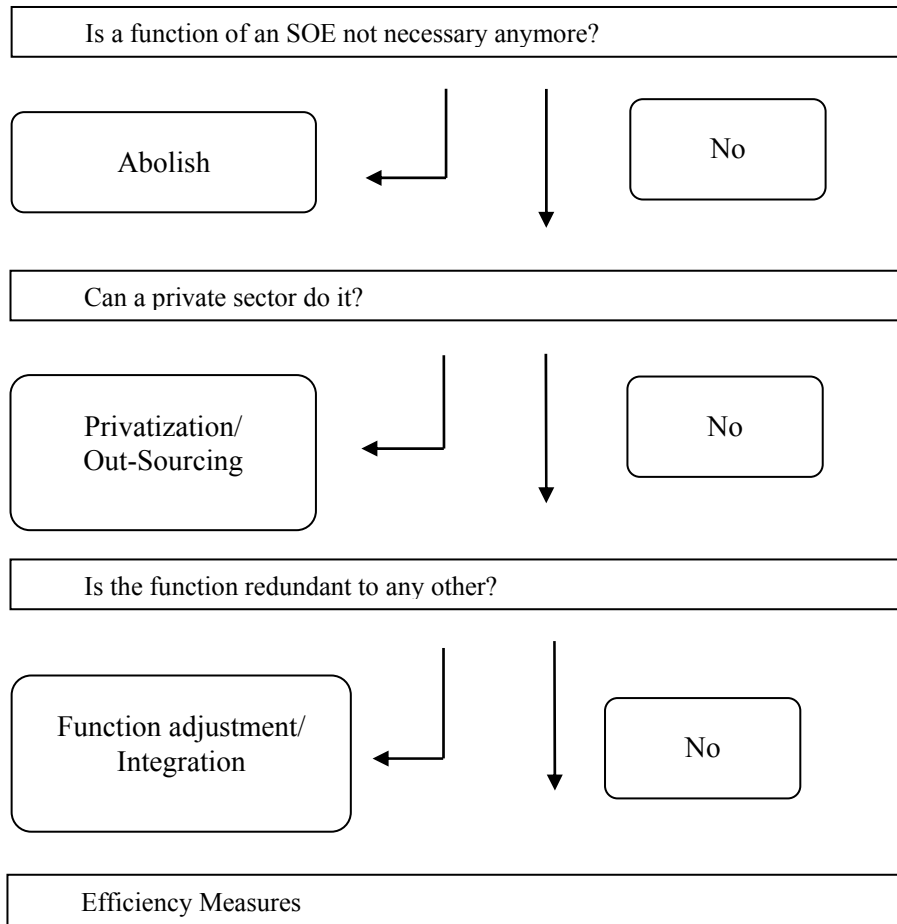
All SOEs' function should be analyzed, and adjusted as follows. First, sales of unnecessary asset should be applied to all SOEs. Some of Korea's SOEs own golf courses, sports center, duty-free shops etc. These facilities are making revenue which is used for the public cause. However, as we have discussed previously, these business should be conducted by the private sector.

Some of SOEs' function should be transferred to the other SOEs for a more clear division of labor. The export promotion by SMEs has been performed by three organizations in Korea: KOTRA (Korea Trade and Investment Agency, a semi-government organization), Small and Medium Business Administration (SMBA, a government agency), IC International Cooperation Promotion Agency (export promotion for SMEs in the field of ICT, a semi-government organization). The overlapping roles have been cleared last year: export-promotion within Korea is by the SMBA and that outside of Korea is by KOTRA.

Many SOEs are trying to start a new business while maintaining the old, which results in bloated public sector. Differentiating core functions from the less important functions, therefore, is an important first step in streamlining the public sector. The second step is of course to discriminate resource allocation to those core and none-core functions.

Finally, The efficiency measures should be applied to all SOEs include downsizing, out-sourcing, streamlining local branches, privatization of subsidiary companies of SOEs, performance management. These efforts will enhance the market value when sold.

< Figure 3: Flow Chart of SOE Reform>



References

- Terry L. Anderson and Peter J. Hill, Editors (1996), "The Privatization Process; A worldwide Perspective".
- Anthony Bennett (1997), "How Does Privatization Work?; Essays on Privatization in Honour of Professor V.V Ramanadham".
- Thierry Buchs (2003), Privatization in Sub-Saharan Africa: Some Lessons from Experience to Date
- László Csaba (1994), "Privatization, Liberalization and destruction; Recreating the Market in Central and Eastern Europe
- Jacques V. Dinavo (1995), "Privatization in Developing Countries; Its Impact on Economic Development and Democracy"
- Kotter (1996), "Leading Change, Harvard Business School Press"
- Stephen Martin and David Parker (1997), "The Impact of Privatization; Ownership and Corporate Performance in the UK".
- Iván Major (1993), "Privatization in Eastern Europe; A critical Approach".
- H. Jauch (2002), The Big Privatization Debate-African Experience, 2002
- Osama J. A. R. Abu Shair (1997), "Privatization and Development".
- Ministry of Strategy and Finance, Press Release, 2008.8.11
- F. Pamacheche and B. Koma (2007), Privatization in Sub-Saharan Africa- an essential route to poverty alleviation, African Integration Review, Vol 1:2.
- David Parker and David Saal (2003), "International Handbook on Privatization".
- Rondinelli (1994) "Privatization & Economic Reform in Central Europe".
- Robin Sherbourne (2009), Guide to the Namibian Economy, Institute for Public Policy Research
- George Yarrow and Piotr Jasinski (1996), "Privatization I ~IV; Critical Perspectives on the World Economy".
- Zaaruka, B., and E. Uanguta (1999), "Inflation Targeting Instruments in Namibia", Journal of Monetary Economics, Vol.15, No. 15.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	99-01	Se-Il Park	Labor Market Policy and The Social Safety Net in Korea: After 1997 Crisis
Working Paper	99-02	Sang-Woo Nam	Korea's Economic Crisis and Corporate Governance
Working Paper	99-03	Sangmoon Hahm	Monetary Bands and Monetary Neutrality
Working Paper	99-04	Jong-Il You Ju-Ho Lee	Economic and Social Consequences of globalization: The Case of South Korea
Working Paper	99-05	Sang-Woo Nam	Reform of the Financial Sector in East Asia
Working Paper	99-06	Hun-Joo Park	Dirigiste Modernization, Coalition Politics, and Financial Policy Towards Small Business: Korea, Japan, and Taiwan Compared
Working Paper	99-07	Kong-Kyun Ro	Mother's Education and Child's Health: Economic Anlaysis of Korean Data
Working Paper	99-08	Euysung Kim	Trade Liberalization and Productivity Growth in Korean Manufacturing Industries: Price Protection, Market Power, and Scale Efficiency
Working Paper	99-09	Gill-Chin Lim	Global Political-Economic System and Financial Crisis: Korea, Brazil and the IMF
Working Paper	99-10 (C99-01)	Seung-Joo Lee	LG Household & Health Care: Building a High-Performing Organization
Working Paper	00-01	Sangmoon Hahm Kyung-Soo Kim Ho-Mou Wu	Gains from Currency Convertibility: A Case of Incomplete Markets
Working Paper	00-02	Jong-Il You	The Bretton Woods Institutions: Evolution, Reform and Change
Working Paper	00-03	Dukgeun Ahn	Linkages between International Financial and Trade Institutions: IMF, World Bank and WTO
Working Paper	00-04	Woochan Kim	Does Capital Account Liberalization Discipline Budget Deficit?
Working Paper	00-05	Sunwoong Kim Shale Horowitz	Public Interest "blackballing" in South Korea's Elections: One-Trick Pony, or Wave of the Future?
Working Paper	00-06	Woochan Kim	Do Foreign Investors Perform Better than Locals? Information Asymmetry versus Investor Sophistication
Working Paper	00-07	Gill-Chin Lim Joon Han	North-South Cooperation for Food Supply: Demographic Analysis and Policy Directions
Working Paper	00-08 (C00-01)	Seung-Joo Lee	Strategic Newspaper Management: Case Study of Maeil Business
Working Paper	01-01	Seung-Joo Lee	Nokia: Strategic Transformation and Growth
Working Paper	01-02	Woochan Kim Shang-Jin Wei	Offshore Investment Funds: Monsters in Emerging Markets?
Working Paper	01-03	Dukgeun Ahn	Comparative Analysis of the SPS and the TBT Agreements
Working Paper	01-04	Sunwoong Kim Ju-Ho Lee	Demand for Education and Developmental State: Private Tutoring in South Korea
Working Paper	01-05	Ju-Ho Lee Young-Kyu Moh	Do Unions Inhibit Labor Flexibility? Lessons from Korea
Working Paper	01-06	Woochan Kim Yangho Byeon	Restructuring Korean Bank's Short-Term Debts in 1998 - Detailed Accounts and Their Implications -
Working Paper	01-07	Yoon-Ha YOO	Private Tutoring as Rent Seeking Activity Under Tuition Control

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	01-08	Kong-Kyun Ro	경제활동인구 변동의 요인분석: 선진국과의 비교분석
Working Paper	02-01	Sangmoon Hahm	Restructuring of the Public Enterprise after the Crisis : The Case of Deposit Insurance Fund
Working Paper	02-02	Kyong-Dong KIM	The Culture of Industrial Relations in Korea : An alternative Sociological Approach
Working Paper	02-03	Dukgeun Ahn	Korean Experience of the Dispute Settlement in the world Trading System
Working Paper	02-04	BERNARD S. BLACK Hasung Jang Woochan Kim	Does Corporate Governance Matter? (Evidence from the Korean Market)
Working Paper	02-05	Sunwoong Kim Ju-Ho Lee	Secondary School Equalization Policies in South Korea
Working Paper	02-06	Yoon-Ha YOO	Penalty for Mismatch Between Ability and Quality, and School Choice
Working Paper	02-07	Dukgeun Ahn Han-Young Lie	Legal Issues of Privatization in Government Procurement Agreements: Experience of Korea from Bilateral and WTO Agreements
Working Paper	02-08	David J. Behling Kyong Shik Eom	U.S. Mortgage Markets and Institutions and Their Relevance for Korea
Working Paper	03-01	Sang-Moon Hahm	Transmission of Stock Returns and Volatility: the Case of Korea
Working Paper	03-02	Yoon Ha Yoo	Does Evidentiary Uncertainty Induce Excessive Injurer Care?
Working Paper	03-03	Yoon Ha Yoo	Competition to Enter a Better School and Private Tutoring
Working Paper	03-04	Sunwoong Kim Ju-Ho Lee	Hierarchy and Market Competition in South Korea's Higher Education Sector
Working Paper	03-05	Chul Chung	Factor Content of Trade: Nonhomothetic Preferences and "Missing Trade"
Working Paper	03-06	Hun Joo Park	RECASTING KOREAN <i>DIRIGISME</i>
Working Paper	03-07	Taejong Kim Ju-Ho Lee	Mixing <i>versus</i> Sorting in Schooling: Evidence from the Equalization Policy in South Korea
Working Paper	03-08	Naohito Abe	Managerial Incentive Mechanisms and Turnover of Company Presidents and Directors in Japan
Working Paper	03-09	Naohito Abe Noel Gaston Katsuyuki Kubo	EXECUTIVE PAY IN JAPAN: THE ROLE OF BANK-APPOINTED MONITORS AND THE MAIN BANK RELATIONSHIP
Working Paper	03-10	Chai-On Lee	Foreign Exchange Rates Determination in the light of Marx's Labor-Value Theory
Working Paper	03-11	Taejong Kim	Political Economy and Population Growth in Early Modern Japan
Working Paper	03-12	Il-Horn Hann Kai-Lung Hui Tom S. Lee I.P.L. Png	Direct Marketing: Privacy and Competition
Working Paper	03-13	Marcus Noland	RELIGION, CULTURE, AND ECONOMIC PERFORMANCE
Working Paper	04-01	Takao Kato Woochan Kim Ju Ho Lee	EXECUTIVE COMPENSATION AND FIRM PERFORMANCE IN KOREA
Working Paper	04-02	Kyoung-Dong Kim	Korean Modernization Revisited: An Alternative View from the Other Side of History

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	04-03	Lee Seok Hwang	Ultimate Ownership, Income Management, and Legal and Extra-Legal Institutions
Working Paper	04-04	Dongsoo Kang	Key Success Factors in the Revitalization of Distressed Firms : A Case of the Korean Corporate Workouts
Working Paper	04-05	Il Chong Nam Woochan Kim	Corporate Governance of Newly Privatized Firms: The Remaining Issues in Korea
Working Paper	04-06	Hee Soo Chung Jeong Ho Kim Hyuk Il Kwon	Housing Speculation and Housing Price Bubble in Korea
Working Paper	04-07	Yoon-Ha Yoo	Uncertainty and Negligence Rules
Working Paper	04-08	Young Ki Lee	Pension and Retirement Fund Management
Working Paper	04-09	Wooheon Rhee Tack Yun	Implications of Quasi-Geometric Discounting on the Observable Sharpe Ratio
Working Paper	04-10	Seung-Joo Lee	Growth Strategy: A Conceptual Framework
Working Paper	04-11	Boon-Young Lee Seung-Joo Lee	Case Study of Samsung's Mobile Phone Business
Working Paper	04-12	Sung Yeung Kwack Young Sun Lee	What Determines Saving Rate in Korea?: the Role of Demography
Working Paper	04-13	Ki-Eun Rhee	Collusion in Repeated Auctions with Externalities
Working Paper	04-14	Jaeun Shin Sangho Moon	IMPACT OF DUAL ELIGIBILITY ON HEALTHCARE USE BY MEDICARE BENEFICIARIES
Working Paper	04-15	Hun Joo Park Yeun-Sook Park	Riding into the Sunset: The Political Economy of Bicycles as a Declining Industry in Korea
Working Paper	04-16	Woochan Kim Hasung Jang Bernard S. Black	Predicting Firm's Corporate Governance Choices: Evidence from Korea
Working Paper	04-17	Tae Hee Choi	Characteristics of Firms that Persistently Meet or Beat Analysts' Forecasts
Working Paper	04-18	Taejong Kim Yoichi Okita	Is There a Premium for Elite College Education: Evidence from a Natural Experiment in Japan
Working Paper	04-19	Leonard K. Cheng Jae Nahm	Product Boundary, Vertical Competition, and the Double Mark-up Problem
Working Paper	04-20	Woochan Kim Young-Jae Lim Taeyoon Sung	What Determines the Ownership Structure of Business Conglomerates? : On the Cash Flow Rights of Korea's Chaebol
Working Paper	04-21	Taejong Kim	Shadow Education: School Quality and Demand for Private Tutoring in Korea
Working Paper	04-22	Ki-Eun Rhee Raphael Thomadsen	Costly Collusion in Differentiated Industries
Working Paper	04-23	Jaeun Shin Sangho Moon	HMO plans, Self-selection, and Utilization of Health Care Services
Working Paper	04-24	Yoon-Ha Yoo	Risk Aversion and Incentive to Abide By Legal Rules
Working Paper	04-25	Ji Hong Kim	Speculative Attack and Korean Exchange Rate Regime
Working Paper	05-01	Woochan Kim Taeyoon Sung	What Makes Firms Manage FX Risk? : Evidence from an Emerging Market
Working Paper	05-02	Janghyuk Lee Laoucine Kerbache	Internet Media Planning: An Optimization Model

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	05-03	Kun-Ho Lee	Risk in the Credit Card Industry When Consumer Types are Not Observable
Working Paper	05-04	Kyong-Dong KIM	Why Korea Is So Prone To Conflict: An Alternative Sociological Analysis
Working Paper	05-05	Dukgeun AHN	Why Should Non-actionable Subsidy Be Non-actionable?
Working Paper	05-06	Seung-Joo LEE	Case Study of L'Oréal: Innovation and Growth Strategy
Working Paper	05-07	Seung-Joo LEE	Case Study of BMW: The Ultimate Driving Machine
Working Paper	05-08	Taejong KIM	Do School Ties Matter? Evidence from the Promotion of Public Prosecutors in Korea
Working Paper	05-09	Hun Joo PARK	Paradigms and Fallacies: Rethinking Northeast Asian Security
Working Paper	05-10	WOOCHAN KIM TAEYOON SUNG	What Makes Group-Affiliated Firms Go Public?
Working Paper	05-11	BERNARD S. BLACK WOOCHAN KIM HASUNG JANG KYUNG-SUH	Does Corporate Governance Predict Firms' Market Values? Time Series Evidence from Korea
Working Paper	05-12	Kun-Ho Lee	Estimating Probability of Default For the Foundation IRB Approach In Countries That Had Experienced Extreme Credit Crises
Working Paper	05-13	Ji-Hong KIM	Optimal Policy Response To Speculative Attack
Working Paper	05-14	Kwon Jung Boon Young Lee	Coupon Redemption Behaviors among Korean Consumers: Effects of Distribution Method, Face Value, and Benefits on Coupon Redemption Rates in Service Sector
Working Paper	06-01	Kee-Hong Bae Seung-Bo Kim Woochan Kim	Family Control and Expropriation of Not-for-Profit Organizations: Evidence from Korean Private Universities
Working Paper	06-02	Ja Eun Shin	How Good is Korean Health Care? An International Comparison of Health Care Systems
Working Paper	06-03	Tae Hee Choi	Timeliness of Asset Write-offs
Working Paper	06-04	Jin PARK	Conflict Resolution Case Study: The National Education Information System (NEIS)
Working Paper	06-05	YuSang CHANG	DYNAMIC COMPETITIVE PARADIGM OF MANAGING MOVING TARGETS;
Working Paper	06-06	Jin PARK	A Tale of Two Government Reforms in Korea
Working Paper	06-07	Ilho YOO	Fiscal Balance Forecast of Cambodia 2007-2011
Working Paper	06-08	Ilho YOO	PAYG pension in a small open economy
Working Paper	06-09	Kwon JUNG Clement LIM	IMPULSE BUYING BEHAVIORS ON THE INTERNET
Working Paper	06-10	Joong H. HAN	Liquidation Value and Debt Availability: An Empirical Investigation
Working Paper	06-11	Brandon Julio, Woojin Kim Michael S. Weisbach	Uses of Funds and the Sources of Financing: Corporate Investment and Debt Contract Design

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	06-12	Hun Joo Park	Toward People-centered Development: A Reflection on the Korean Experience
Working Paper	06-13	Hun Joo Park	The Perspective of Small Business in South Korea
Working Paper	06-14	Younguck KANG	Collective Experience and Civil Society in Governance
Working Paper	06-15	Dong-Young KIM	The Roles of Government Officials as Policy Entrepreneurs in Consensus Building Process
Working Paper	06-16	Ji Hong KIM	Military Service : draft or recruit
Working Paper	06-17	Ji Hong KIM	Korea-US FTA
Working Paper	06-18	Ki-Eun RHEE	Reevaluating Merger Guidelines for the New Economy
Working Paper	06-19	Taejong KIM Ji-Hong KIM Insook LEE	Economic Assimilation of North Korean Refugees in South Korea: Survey Evidence
Working Paper	06-20	Seong Ho CHO	ON THE STOCK RETURN METHOD TO DETERMINING INDUSTRY SUBSTRUCTURE: AIRLINE, BANKING, AND OIL INDUSTRIES
Working Paper	06-21	Seong Ho CHO	DETECTING INDUSTRY SUBSTRUCTURE: - Case of Banking, Steel and Pharmaceutical Industries-
Working Paper	06-22	Tae Hee Choi	Ethical Commitment, Corporate Financial Factors: A Survey Study of Korean Companies
Working Paper	06-23	Tae Hee Choi	Aggregation, Uncertainty, and Discriminant Analysis
Working Paper	07-01	Jin PARK Seung-Ho JUNG	Ten Years of Economic Knowledge Cooperation with North Korea: Trends and Strategies
Working Paper	07-02	BERNARD S. BLACK WOOCHAN KIM	The Effect of Board Structure on Firm Value in an Emerging Market: IV, DiD, and Time Series Evidence from Korea
Working Paper	07-03	Jong Bum KIM	FTA Trade in Goods Agreements: ‘Entrenching’ the benefits of reciprocal tariff concessions
Working Paper	07-04	Ki-Eun Rhee	Price Effects of Entries
Working Paper	07-05	Tae H. Choi	Economic Crises and the Evolution of Business Ethics in Japan and Korea
Working Paper	07-06	Kwon JUNG Leslie TEY	Extending the Fit Hypothesis in Brand Extensions: Effects of Situational Involvement, Consumer Innovativeness and Extension Incongruity on Evaluation of Brand Extensions
Working Paper	07-07	Younguck KANG	Identifying the Potential Influences on Income Inequality Changes in Korea – Income Factor Source Analysis
Working Paper	07-08	WOOCHAN KIM TAEYOON SUNG SHANG-JIN WEI	Home-country Ownership Structure of Foreign Institutional Investors and Control-Ownership Disparity in Emerging Markets
Working Paper	07-09	Ilho YOO	The Marginal Effective Tax Rates in Korea for 45 Years : 1960-2004
Working Paper	07-10	Jin PARK	Crisis Management for Emergency in North Korea
Working Paper	07-11	Ji Hong KIM	Three Cases of Foreign Investment in Korean Banks
Working Paper	07-12	Jong Bum Kim	Territoriality Principle under Preferential Rules of Origin

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	07-13	Seong Ho CHO	THE EFFECT OF TARGET OWNERSHIP STRUCTURE ON THE TAKEOVER PREMIUM IN OWNER-MANAGER DOMINANT ACQUISITIONS: EVIDENCE FROM KOREAN CASES
Working Paper	07-14	Seong Ho CHO Bill McKelvey	Determining Industry Substructure: A Stock Return Approach
Working Paper	07-15	Dong-Young KIM	Enhancing BATNA Analysis in Korean Public Disputes
Working Paper	07-16	Dong-Young KIM	The Use of Integrated Assessment to Support Multi-Stakeholder negotiations for Complex Environmental Decision-Making
Working Paper	07-17	Yuri Mansury	Measuring the Impact of a Catastrophic Event: Integrating Geographic Information System with Social Accounting Matrix
Working Paper	07-18	Yuri Mansury	Promoting Inter-Regional Cooperation between Israel and Palestine: A Structural Path Analysis Approach
Working Paper	07-19	Ilho YOO	Public Finance in Korea since Economic Crisis
Working Paper	07-20	Li GAN Jaeun SHIN Qi LI	Initial Wage, Human Capital and Post Wage Differentials
Working Paper	07-21	Jin PARK	Public Entity Reform during the Roh Administration: Analysis through Best Practices
Working Paper	07-22	Tae Hee Choi	The Equity Premium Puzzle: An Empirical Investigation of Korean Stock Market
Working Paper	07-23	Joong H. HAN	The Dynamic Structure of CEO Compensation: An Empirical Study
Working Paper	07-24	Ki-Eun RHEE	Endogenous Switching Costs in the Face of Poaching
Working Paper	08-01	Sun LEE Kwon JUNG	Effects of Price Comparison Site on Price and Value Perceptions in Online Purchase
Working Paper	08-02	Ilho YOO	Is Korea Moving Toward the Welfare State?: An IECI Approach
Working Paper	08-03	Ilho YOO Inhyouk KOO	DO CHILDREN SUPPORT THEIR PARENTS' APPLICATION FOR THE REVERSE MORTGAGE?: A KOREAN CASE
Working Paper	08-04	Seong-Ho CHO	Raising Seoul's Global Competitiveness: Developing Key Performance Indicators
Working Paper	08-05	Jin PARK	A Critical Review for Best Practices of Public Entities in Korea
Working Paper	08-06	Seong-Ho CHO	How to Value a Private Company? -Case of Miele Korea-
Working Paper	08-07	Yoon Ha Yoo	The East Asian Miracle: Export-led or Investment-led?
Working Paper	08-08	Man Cho	Subprime Mortgage Market: Rise, Fall, and Lessons for Korea
Working Paper	08-09	Woochang KIM Woojin KIM Kap-sok KWON	Value of shareholder activism: evidence from the switchers
Working Paper	08-10	Kun-Ho Lee	Risk Management in Korean Financial Institutions: Ten Years after the Financial Crisis
Working Paper	08-11	Jong Bum KIM	Korea's Institutional Framework for FTA Negotiations and Administration: Tariffs and Rules of Origin
Working Paper	08-12	Yu Sang CHANG	Strategy, Structure, and Channel of Industrial Service Leaders: A Flow Chart Analysis of the Expanded Value Chain
Working Paper	08-13	Younguck KANG	Sensitivity Analysis of Equivalency Scale in Income Inequality Studies

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	08-14	Younguck KANG	Case Study: Adaptive Implementation of the Five-Year Economic Development Plans
Working Paper	08-15	Joong H. HAN	Is Lending by Banks and Non-banks Different? Evidence from Small Business Financing
Working Paper	08-16	Joong H. HAN	Checking Accounts and Bank Lending
Working Paper	08-17	Seongwuk MOON	How Does the Management of Research Impact the Disclosure of Knowledge? Evidence from Scientific Publications and Patenting Behavior
Working Paper	08-18	Jungho YOO	How Korea's Rapid Export Expansion Began in the 1960s: The Role of Foreign Exchange Rate
Working Paper	08-19	BERNARD S. BLACK WOOCHAN KIM HASUNG JANG KYUNG SUH	How Corporate Governance Affects Firm Value: Evidence on Channels from Korea
Working Paper	08-20	Tae Hee CHOI	Meeting or Beating Analysts' Forecasts: Empirical Evidence of Firms' Characteristics, Persistence Patterns and Post-scandal Changes
Working Paper	08-21	Ja Eun SHIN	Understanding the Role of Private Health Insurance in the Universal Coverage System: Macro and Micro Evidence
Working Paper	08-22	Jin PARK	Indonesian Bureaucracy Reform: Lessons from Korea
Working Paper	08-23	Joon-Kyung KIM	Recent Changes in Korean Households' Indebtedness and Debt Service Capacity
Working Paper	08-24	Yuri Mansury	What Do We Know about the Geographic Pattern of Growth across Cities and Regions in South Korea?
Working Paper	08-25	Yuri Mansury & Jae Kyun Shin	Why Do Megacities Coexist with Small Towns? Historical Dependence in the Evolution of Urban Systems
Working Paper	08-26	Jinsoo LEE	When Business Groups Employ Analysts: Are They Biased?
Working Paper	08-27	Cheol S. EUN Jinsoo LEE	Mean-Variance Convergence Around the World
Working Paper	08-28	Seongwuk MOON	How Does Job Design Affect Productivity and Earnings? Implications of the Organization of Production
Working Paper	08-29	Ja Eun SHIN	Smoking, Time Preference and Educational Outcomes
Working Paper	08-30	Dong Young KIM	Reap the Benefits of the Latecomer: From the story of a political, cultural, and social movement of ADR in US
Working Paper	08-31	Ji Hong KIM	Economic Crisis Management in Korea: 1998 & 2008
Working Paper	08-32	Dong-Young KIM	Civility or Creativity?: Application of Dispute Systems Design (DSD) to Korean Public Controversies on Waste Incinerators
Working Paper	08-33	Ki-Eun RHEE	Welfare Effects of Behavior-Based Price Discrimination
Working Paper	08-34	Ji Hong KIM	State Owned Enterprise Reform
Working Paper	09-01	Yu Sang CHANG	Making Strategic Short-term Cost Estimation by Annualized Experience Curve
Working Paper	09-02	Dong Young KIM	When Conflict Management is Institutionalized: A Review of the Executive Order 19886 and government practice
Working Paper	09-03	Man Cho	Managing Mortgage Credit Risk: What went wrong with the subprime and Alt-A markets?

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.

Working Paper Series

Category	Serial #	Author	Title
Working Paper	09-04	Tae H. Choi	Business Ethics, Cost of Capital, and Valuation
Working Paper	09-05	Woochan KIM Woojin KIM Hyung-Seok KIM	What makes firms issue death spirals? A control enhancing story
Working Paper	09-06	Yu Sang CHANG Seung Jin BAEK	Limit to Improvement: Myth or Reality? Empirical Analysis of Historical Improvement on Three Technologies Influential in the Evolution of Civilization
Working Paper	09-07	Ji Hong KIM	G20: Global Imbalance and Financial Crisis
Working Paper	09-08	Ji Hong KIM	National Competitiveness in the Globalized Era
Working Paper	09-09	Hao Jiang , Woochan Kim , Ramesh K. S. Rao	Contract Heterogeneity, Operating Shortfalls, and Corporate Cash Holdings
Working Paper	09-10	Man Cho	Home Price Cycles: A Tale of Two Countries
Working Paper	09-11	Dongcul CHO	The Republic of Korea's Economy in the Swirl of Global Crisis
Working Paper	09-12	Dongcul CHO	House Prices in ASEAN+3: Recent Trends and Inter-Dependence
Working Paper	09-13	Seung-Joo LEE Eun-Hyung LEE	Case Study of POSCO - Analysis of its Growth Strategy and Key Success Factors
Working Paper	09-14	Woochan KIM Taeyoon SUNG Shang-Jin WEI	The Value of Foreign Blockholder Activism: Which Home Country Governance Characteristics Matter?
Working Paper	09-15	Joon-Kyung KIM	Post-Crisis Corporate Reform and Internal Capital Markets in Chaebols
Working Paper	09-16	Jin PARK	Lessons from SOE Management and Privatization in Korea

* The above papers are available at KDI School Website <<http://www.kdischool.ac.kr/new/eng/faculty/working.jsp>>. You may get additional copy of the documents by downloading it using the Acrobat Reader.