

February 17, 1955

Letter, Harold Lady to Syngman Rhee

Citation:

"Letter, Harold Lady to Syngman Rhee", February 17, 1955, Wilson Center Digital Archive, B-018-036, Official Correspondences, President Rhee's Correspondences, Syngman Rhee Institute, Yonsei University.
<https://digitalarchive.wilsoncenter.org/document/123043>

Summary:

Harold Lady writes suggesting the credit ceiling be lifted to help with Korea's economic recovery.

Credits:

This document was made possible with support from Syngman Rhee Institute, Yonsei University

Original Language:

English

Contents:

Original Scan



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Dear President Rhee:

Subject: Credit Ceiling

A limit on total outstanding bank loans has been established by administrative decision. This is a conventional method of combatting inflation. However, under present conditions in Korea it seems to be doing more harm than good, and is contributing to inflation by preventing production.

The banks are in a position where they cannot lend money to assist worth-while, productive enterprises until amounts previously loaned to others have been recovered. Hence there are long delays - sometimes a year or more - before a loan can be made even in the most meritorious cases. This not only delays Korea's economic recovery, but discourages the small group of Korean businessmen who are willing to make long-term investments in productive enterprises instead of entering into the more profitable non-productive fields of speculation and trading.

Although the FOA originally advocated the existing credit ceiling, I believe that it is now possible to convince the FOA that this was a mistake.

It is suggested that the Finance Committee of the Combined Economic Board be requested to study this matter and draft a memorandum that will abolish the credit ceiling and provide in its stead a policy guidance memorandum permitting the banks to grant loans to productive enterprises with no restriction other than the bank's capital and the dictates of good banking judgment.

Harold
Harold Wendell Lady