



Figure 9: Working capital for Korean firms

The evidence from figures 8 and 9 suggests that Korean firms have managed to operate with very slender working capital. The low working capital of Korean firms highlights two features: vertical integration and financial innovation

The first has been much discussed, and is well known. Korea's industrial structure stands at the opposite end of the spectrum from the Toyota model in terms of the dominant position of the *Chaebol* firms in Korea, and the comparatively much weaker small firm sector there. The term *Chaebol* refers to the large, vertically-integrated conglomerate firms in Korea where a tightly-knit group of family members related to the original founder of the firm still exercise considerable influence, or outright control. Their dominant position in the Korean corporate sector (and the political economy of the country more widely) has attracted considerable criticism and debate, especially after the 1997 financial crisis.

The second element - financial innovation - is perhaps less well known, and we will devote some space to it here. We highlight the role played by fi-