

# FINANCIAL SECTOR TRANSFORMATION

*Lessons from Economies in Transition*

*Edited by*

MARIO I. BLEJER

MARKO SKREB

*International Monetary Fund*

*National Bank of Croatia*

**CAMBRIDGE**  
UNIVERSITY PRESS

# Contents

<i>List of Contributors</i>	page vii
Introduction Financial Reforms and Economic Transition: An Overview of the Major Issues <i>Mario Blejer and Marko Skreb</i>	1
<b>PART I GENERAL STUDIES</b>	
Monetary Policy during Transition: An Overview <i>Martha de Melo and Cevdet Denizer</i>	19
Toward Market-Oriented Banking in the Economies in Transition <i>John Bonin and Paul Wachtel</i>	93
The Trials and Tribulations of Banking in Transition Economies: A Political Economy Perspective <i>Arye. L. Hillman and Heinrich W. Ursprung</i>	132
Financing Transition: Investing in Enterprises during Macroeconomic Transition <i>Willem H. Buiter, Ricardo Lago, and Helene Rey</i>	150
<b>PART II COUNTRY STUDIES</b>	
Banking Crises in the Baltic States: Causes, Solutions, and Lessons <i>Ardo H. Hansson and Triinu Tombak</i>	195
Monetary and Exchange Rate Policy, Capital Inflows, and the Structure of the Banking System in Croatia <i>Velimir Sonje, Evan Kraft, and Thomas Dorsey</i>	237 \

7	Monetary and Financial Market Reform in Transition Economies: The Special Case of China	265
	<i>Robert A. Mundell</i>	
8	The Financial Sector and High Interest Rates: Lessons from Slovenia	309
	<i>Velimir Bole</i>	
9	Bank Rehabilitation in Slovenia: With Emphasis on Nova Ljubljanska Banka	334
	<i>Franjo Stiblar</i>	
10	Liberalization and Financial Reforms: Lessons from the Israeli Experience	368
	<i>Jacob A. Frenkel</i>	

## PART III AFTERWORD

x11	The Financial Sector in Transition	383
	<i>Mario Blejer</i>	
	<i>Index</i>	393