



Abstract

The Causes of Productivity Stagnation in Socialist Economic Systems and North Korean Economic Reform

Kim, Jeong-Un's will to reform and open seems to be firm and he has been very active to the nuclear negotiations. But after the failure of Hanoi negotiation he declared the "The New Way, New calculation".

They maintain that the US should abandon the exchange between the easing of international economic sanction and the denuclearization. But North Korea's "New Way" of the self-reliance means the return to old soviet type planning system which proved to be so devastating.

The prescription of mainstream economics to the crises of Latin America, East Asia and even North European countries have been same, the Washington Consensus and proved to be wrong to all types of capitalism. Even they apply the same one to the socialist countries. There is no "One size fits all".

We think the holy trinity of Washington Consensus(the liberalization, privatization, stabilization) and the hardening of budget which were the core principles of the "Shock Therapy" resulted in the "transformation recession". In this report we maintain that the real problem lay in the "Hard Production Constraints", not in the "Soft Budget Constraints".

So our solution is to disintegrate the “Hard Budget Constraints” first and develop the complex production system gradually, which we usually find in the markets, especially in the global production system. Intentional or unintentional the Chinese way of economic reform which has been gradual and experimental has been consistent with our arguments.

We propose that North Korea would follow the “Gradualism”. The first reform would be to secure the rights of land use and appropriation of the outputs. And they can promote the export of light industry products. They can take advantage of the adjustment of the East Asian production system, which would result from the US-China rivalry.

Of course, North Korea should forgive nuclear armament first but for this to happen the rest countries around the Korean peninsula must deal with the problem of the security of North Korean regime by the East Asian cooperative security system and the like.

Keyword

Socialist Economic Systems, North Korean Economic Reform