

COMPARISON OF THE SOCIALIST ECONOMIES IN CHINA AND KOREA

ATSUSHI MOTOHASHI

The socialist economies of the Far East, Mainland China and North Korea, started their economic development from the condition of colonial agricultural countries, so that the initial social reforms, especially Land Reform, are of extremely great significance for their development. In the socialist economies the reconstruction of their economies comes earlier than socialist industrialization, and, in particular, the agricultural co-operatives precede mechanization and electrification. The organized use of labour power as one of the productive forces becomes important and this seems characteristic of the Asian pattern of socialism. From such a viewpoint as this, the present author tries to compare the two economies.

INTRODUCTION

The Cultural Revolution dating back to the literary criticisms of the autumn of 1965 was developed into the mass movement by Red Guards around June of 1966. It spread to industrial labourers in late 1966. The revolutionary group of labourers began to take over by force enterprises, organs of state, and then the party committee. It is reported that in early 1967 Mao Tse-tung indicated that the People's Liberation Army would support the action of the revolutionary group of labourers, and China came to the stage of capturing power from the so-called "bourgeois authority faction." It is difficult to forecast the drift of the "Proletarian Cultural Revolution" as a second revolution of socialist China. But in the economic aspect the following points should be noted.

First, some measure of confusion is happening in the production sector. For example, according to the "emergency notice" (January 9, 1967) issued by the revolutionary group of Shanghai, the authority faction brought about a state of suspension of factory operations, interruption of railway transport, difficulties in passage on highways, and stagnation of harbour works. It also states that there was waste of national property, wilful payments of wages, arbitrarily increased payments of welfare benefits, and the payment of arbitrary subsidies. The traffic strain due to concentrations and great interchanges of millions of Red Guards in Peking must have been serious. Close attention must be paid to whether this economic difficulty will be overcome immediately by the policy of the revolutionary group of "promoting production by reinforcing the revolution."

Second is more a problem of economic theory. The group propelling the Cultural Revolution insists that "economism and material incentives are thoroughly the stuff of anti-revolutionary revisionism" (*Weng-hoe-pao*, January 9) and they intend to advance the socialist system by means of uplifting proletarian spirits and the transformation of human souls. So long as the stage of socialism is a transitional society which will shift to communism, the necessity of utilizing the law of value and combining spiritual and material incentives is a matter of common-sense and there should be no grounds that "economism" in terms of strengthening material and technical equipment which will raise labour productivity could be denied. "Criticism against Soviet Revisionism" and "criticism against the bourgeois authority faction" may possibly extend the sense of crisis towards the revival of capitalism, thereby to expel rationality from socialistic economic policy.

Anyway, the actual conditions of Chinese economy under the Great Cultural Revolution are entirely uncertain. For the past few years, basic and comprehensive economic statistics have not been made public and publications of academic periodicals concerning economics, for example *Ching-chi Yen-chiu* (Economic Research), are suspended. Besides, the state of "control and management in production" by the Cultural Revolution is not grasped precisely. Therefore, at least changing elements under the Cultural Revolution cannot but be eliminated from the objects which will be discussed under the title. In spite of the above situation in China, this paper tries to compare the major points in the development of the socialist economies of China and Korea for the following reasons.

First, by manifesting similarities and differences in the two socialist economies in Asia, we approach the question of whether or not the general theory could be formed of socialist economies of Asia which started as the revolution in underdeveloped countries. They, with the common goal of establishing socialism in the agrarian society which liberated itself from the colonial restraints, have gone through various different processes of advance.

The second is concerned with whether or not we can establish the category of the Asiatic socialist economy or the concept of an Asiatic pattern of a socialist economy as compared with those of the Soviet Union and East Europe; there is no such international division of labour between China and Korea as is seen between the Soviet Union and East Europe. This is because we consider them an instrument in studying the characteristics of the east Asian socialism which underwent the historical periods of Marx's "*asiatische Productionweise*" (Asiatic mode of production) and Wittfogel's "Oriental Society."

I. THE STARTING-POINT FOR SOCIALISM AND THE MEANING OF THE EARLY SOCIAL REFORMS

The natural and geographical conditions upon which the socialisms of China and Korea are built are remarkably different. China is a continental

state with 700 million people and with marked variations in climate from north to south and from east to west. Especially she has the concentrated residential area of racial minorities (Tibet, Sinkiang, and Inner Mongolia), and the regional difference in the structure of the forces of production and in ways of life is also remarkable. Korea is a single-race peninsular state of some 13 million people, which is divided in the south with the Republic of Korea. Both China and Korea have a task of the "National Revolution" thereby to realize the complete unification of the state; by joining Taiwan for the former and the Republic of Korea for the latter.

From the angle of the realization of a self-completing character in the unified national economy, the split in Korea is a more serious condition than the separation of Taiwan from China. The traditional economic development of Korea had created mutually supplementary relations between the industry of the North and the agriculture of the South. The separation of the South with a larger population proved a big obstacle to the development of the self-sustaining national economy of the North.

It might be meaningless to make a simple comparison of material and productive conditions of the two Far Eastern socialist countries at the time of their liberation and independence. However, although there is a tens-of-times scale gap in the size of land and population, the comparison would serve as a guide-post to grasp the structure as the starting-point of socialistic reconstruction of the national economy. Industry occupies an almost equal proportion in the agricultural and industrial production in Korea in 1946 and in China in 1949, the former being 28% and the latter 30.1%. But the proportion between the capital goods production and that of consumer goods in the industrial production is 52:48 in Korea and 26.6:73.4 in China. Furthermore, from the viewpoint of the managing pattern of industrial production, the state sector is 72.4% in Korea and 34.7% in China. What can be deduced from these simple figures is first that the two nations, though they differ in size, started as agricultural countries. Their agricultures were the small farming management based on therein landlordism. Their labour and land productivities were very low. In China, the variation of natural conditions for production is marked, while in Korea, natural prerequisites are less favourable than in the South. In particular Korea, without textile raw material production such as raw cotton, had an extremely low standard of self-sufficiency of agricultural product materials for consumer goods industry. Second, the rate of capital goods production is in general a barometer of the development of modern heavy and chemical industry. But the production of productive means under colonial or semi-colonial economies such as those of China and Korea was that as a process of supplying raw materials for mother countries of colonies and foreign countries. And it did not possess characteristics as a process of their own industrial system. Coal, iron ore, ingot steel, chemical industry products, etc., were produced as raw materials for the industries of the old imperialist nations. The high rate of production of productive means in Korea was a result of a closer tie with the industry

of the old Japanese imperialism. Consequently, the unbalance within the heavy industry and between the heavy and light industries is remarkable, and the rate of self-sufficiency of the modern industrial products was strikingly low. Third, the difference in the proportion of the state sector is related to the difference in pattern of the socialistic transformation which will be discussed later. But an obvious fact is that the overwhelmingly greater part of the industrial capital of Korea at the time of the liberation was the old capital of Japan and that this is the result of the extreme limitations and oppressions over the development of the Korean national capital.

On the starting-point of reorganizing the national economy from the colonial or semi-colonial economy to the socialist economy, the main constituent of its reforms or the nature of leadership exert certain influence upon form of reform and development. Both China and Korea had common features in their long-range liberation campaigns and forms of armed struggles. They maintained communism as a leading force of the liberation movement. With rural areas as major battle-fields and with the united front tactics as weapons, the liberation movement was developed. After 1927 in China and after 1930 in Korea, the armed revolutionary army became the nucleus of the movement. But in the last stage of the liberation movement, in the case of China, the armed forces of the Chinese people themselves overthrew the domination of the Nationalist Party backed by the United States and in the case of Korea, she overthrew the Japanese imperialism itself with the direct help of the Soviet Red Army. The People's Republic of China was founded embracing the whole area of China excluding Taiwan, whereas in Korea, she was compelled to tolerate the "divided nation" due to the establishment of the Republic of Korea, the southern half, under the American occupation. Therefore, as manifested concentratedly during the Korean War of 1950-1953, the socialistic construction had to be undertaken under the constant and extreme international tension. It is a fact that the crisis on the 38th parallel increased burdens of defence expenditure in the national finance of North Korea, which proved a minus factor for her economic construction. On the other hand, the national task of unifying the Korean Peninsula continued to exist and the need to solidify the North Korean economy itself so as to make it the independent national economy and to reinforce it as a "democratic base" for the consolidation of Korea was thus generalized.

For the economic development in the underdeveloped areas, the significance of accelerating social reforms is great. When the social productivity remains at a low level, human labour in productive elements plays a decisive role. Realizing social environments, in which results of labour will further confirm the material foundation for reproducing labour force and will reinforce investment-sources for elevating labour productivity, never fails to raise the labour-volition of people. The greatest social reform for modernization in an agrarian society is a land reform. The land reform was intended to break down the parasitic landowner system as a socio-economic system, to

abolish the pre-modern land rent collection which was a source of commercial usury capital and to pave the way for the capitalistic development and realization of the profit category in agriculture.

The Land Reform Law of Korea (March 5, 1946) prescribed that the objects of confiscation be the land belonging to the Japanese Government, Japanese nationals, and Japanese organizations (11.3% of the confiscated land), the land owned by the national traitors (1.3%), landowners' property (85.9%) and the land owned by temples (1.5%). As a result, approximately one million hectares of land was forfeited without compensation and 98,000 hectares out of it was distributed free to approximately 720,000 households of peasants. (Cultivated area was about 1,860,000 hectares and the agricultural population was about 6,850,000 in 1946.) The Land Reform of China was undertaken along with development of the Revolutionary War of 1947 and was enforced after the foundation of the Republic on the basis of the Land Reform Law (June, 1950), which was carried out on a national scale by 1952. The result of the Land Reform is that some 300 million peasants were given land and 47 million hectares of cultivated acreage was newly possessed by peasants. (Cultivated acreage in 1950 was approximately 100 million hectares.)

The Land Reform of Korea is same as that of the East Europe in the respect that she took up the land of imperialists and national traitors as an object of confiscation. Particularly it should be noted that she prescribed forfeiting of cultivated acreage by employed labour, prohibited "buying and selling, mortgaging, and renting" the distributed land, set as a standard "the number of family members and the number of labouring ability" in time of distributing land.¹

In the Chinese Land Reform, the thorough "equal per capita distribution" of land was enforced without discrimination in distributing land according to ability. Besides, the Land Reform Law of China admitted "rights to conduct, sell and buy, and lease land freely." This means that the Chinas' Land Reform admitted the existence of capitalistic wealthy farmers and envisaged the possibility of peasants dissolution in the agricultural villages and the concentration of the ownership of land. Her Land Reform was substantially of an anti-feudalistic and bourgeois-democratic nature, to realize peasants' land ownership rather than being the first step towards reorganizing the socialistic national economy under the socialist state. Therefore, it was natural that a trend of peasants' dissolution should spread after the Reform. The average cultivated area of Chinese peasants after the Reform was 20 acres per capita and 93.3 acres per family, which is small. The situation of owning production means of poor and hired peasants was that they possessed one-half of cultivated land that wealthy farmers had and about 65% of middle farmers' land and the situation was even much worse in utilization of cattle,

¹ "Puktsosön thotsikaihyök e kwanhan pöpyöng" (Legal Order Regarding Land Reform in North Korea) (March 5, 1946) and "Puktsosön thotsikaihyök popryöng sirsitsangtsöng" (Directions for the Implementation of the Legal Order for Land Reform in North Korea) (March 8, 1946).

ploughs and water-mills. Dissolution of strata presented itself in an enlargement of commercial speculation, increases of usury and increases of land purchase and sale, tenant relations and new rich farmers in rural areas.² As shown in Table 1, in 1954, compared with the previous year, poor peasants increased in number, middle peasants decreased and rich farmers increased. This represents the spontaneous trend to capitalism in the small-scale peasant economy. Mao Tse-tung set forth the course of socialist co-operatives as against the intensification of rural polarization and capitalistic development.³

Table 1. PROPORTIONS OF SOCIAL STRATA IN AGRICULTURAL VILLAGES
(%)

Households	At Time of Land Reform	1952	1953	1954
Poor Peasants	56.73	36.46	28.08	28.22
Middle Peasants	30.25	50.45	59.96	58.07
Rich Peasants	3.18	3.46	3.63	3.70

Note: After 1952, middle peasants included new middle peasants.

Source: Tung Ta-lin, *Agricultural Co-operation in China*, Peking, Foreign Languages Press, 1959, p. 13.

The Korean Land Reform, however, fundamentally denied the capitalistic course of rich farmers. The Korean Democratic People's Republic Constitution declared that "only those who can cultivate by their own labour may own land" and set a limit of ownership to 20 hectares. It prescribed confiscation of land managed by the hired labour and forbade the trade, mortgage, and tenancy of the distributed land. Likewise it provided for not a simple equal distribution of land but set the family membership and labouring ability as calculating criteria. The unit of labour-power represented the labour-power of males between the ages of 18 and 60 or of females between 18 and 50, while youths were reckoned at 0.7, boys 0.4, small children 0.1, and aged persons 0.3. On the basis of these total points, distribution of land was put into effect. After the Land Reform, the average cultivated area per family was 1.8 hectares and the majority of farm-houses owned between 1 and 3 hectares. Compared with the Chinese case wherein the relationship of the labour-force and number of persons in the family caused the sale and lease of land, the Korean method of distribution assured more reasonable conditions for agricultural management and comprised a possibility to avoid rapid dissolution of strata.

Moreover, in the early democratic reforms of the two countries, what assumed the controlling roles in relation to economic development were the nationalization of important industries in Korea and the confiscation of man-

² Su Hsing, "T'u-ti Kai-ko Yi-hou, Wo-kuo Nung-ts' un She-hui-chu-yi ho Tzu-pen-chu-yi Liang-t'iao Tao-lu ti Tou-cheng" (The Struggle between the Two Ways, Socialism and Capitalism, in Rural China after the Land Reform), *Ching-chi Yen-chiu*, Nos. 7-9, 1965.

³ Mao Tse-tung, "Kuan-yü Nung-yeh Ho-tso-she-hum ti Wen-t'i" (On the Question of the Co-operativization of Agriculture), *Jen-min Jih-pao* (People's Daily), Oct. 17, 1955.

darin capital in China. By the Korean "Law Concerning Nationalization of Industries, Traffics, Transports, Banks, Etc." (August, 1946), the former Japanese assets and the entire industrial facilities owned by the national traitors were forfeited without compensation and nationalized. In the case of China, former enemy property, which had been nationalized by the Kuo-mintang Government, became the source of expansion of mandarin capital. And the mandarin capital was the only object of nationalization. Foreign capital in general was allowed its activity on condition of abolishing the imperialistic privileges and the observance of the Chinese laws. At the same time, the policy of China's foundation (Common Programme) clearly expressed the state's artery monopoly of the national economy, which, from another aspect, means limitation to the free activities of private capital. Confiscation of former Japan's capital or of mandarin capital *per se* was the nationalistic democratic need. And that the main constituent was the people's power aiming at socialism became the reason why the socialism sector emerged as a result of the democratic nationalization. 72.4% in Korea and 34.7% of industrial production in China became socialistic *Uclad* and was the leading force of the national economy. The development of the national capitalist economy of Korea which used to be the complete colony had been extremely oppressed. Therefore, it can be said that the dominant position of the state sector in industry prepared more favourable conditions for the later industrialization and the advance of the socialist economy.

At the same time, as the social reforms in the early days of liberation, Labour Law and the "Law Concerning Equal Right of Men and Women" of Korea and the Labour Union Law and Marriage Law in China are very significant. Establishment of the eight-hour labour system and labour insurance system, under the mixed economy in which capitalistic enterprises still remained, was a restraint to the free pursuit of profits of capital and a social guarantee for the labourers' initiative. The guarantees of the complete equality of men and women, political rights, equal wages, rights of education, rights of free marriage and rights to own, manage and inherit property destroyed the old Asiatic patriarchy.

II. INDUSTRIALIZATION POLICY

The basic characteristic of the socialistic production is the large-scale machinery production under the socialistic ownership of the production means. It is well known that the material basis of socialism is the socialistic large-scale industry which will enable the complete mechanization of agriculture and productive forces of the socialist stage which prepare for communism in which people must possess a high level of material and technological equipment so that they get things according to their needs. However, among existing socialist, people's democratic countries, it is only Czechoslovakia and East Germany that have ever attained the standard of productivity as an "industrially developed country" prior to their foundation of the state. The others started

as what we call the "revolution of underdeveloped countries." Especially it is true of Asian countries. Both China and Korea are basically agrarian countries, whose some measure of industrial growth during the colonial and semi-colonial period was characterized by the colonial deformity and subordination. For these nations, construction of the self-sustaining nationalistic economy on which they can lay the foundation of their liberation and political independence from the colonial condition was indispensable and for this purpose the realization of industrialization and the establishment of modern industrial system became the most pressing task of the country.

People's democratic nations in both China and Korea were founded as states who have set forth socialism as their goals. Therefore, industrialization as the state's task had to be planned on the course of socialistic industrialization and not capitalistic industrialization. General characteristics by which socialist industrialization can be distinguished from capitalist industrialization are: first, heavy industry is advanced with priority; second, the capital source for industrialization is essentially the socialistic accumulation within the country; and third, the planned investment dependent on the higher accumulation rate of the socialism sector makes possible the higher growth rate and the well-balanced development among various production sectors. In other words, under socialistic productions in which anarchic competition and productions and private and parasitic consumptions, which are unavoidable for capitalistic productions, are eliminated, and general restraining conditions against technological and scientific development caused by the profit monopoly drive of individual capital are removed, the higher accumulation rate can be secured on a national economy scale and the planned redistribution of national income enables productive fixed capital to expand constantly and enables labour productivity to rise steadily. Socialist industrialization is a fundamental course constructing the material basis for raising labour productivity that is a major element of the socialistic production growth and is a basic method to build the national economy on the highly material, technical basis.

The socialist industrialization course in China and Korea, however, did not necessarily progress from the very beginning of the national foundation. In Korea during the Three-Year Plan period (1954-1956) after the Korean War and in China during the First Five-Year Plan period (1953-1957), the concrete development of socialist industrialization started. The periods prior to these were the preparatory periods for socialist industrialization including the economic results of social reforms mentioned before. When about to "take off" from an agrarian society to industrialization, there must be a transition of surplus of agricultural goods to industrialization funds and the Land Reform as a social reform comprised the economic significance to open the way to industrialization. In the short term, it would be true that though small peasants as a result of the Land Reform had the burden of high farm rent (above 50%) to landlords switched over to the burden of agricultural taxation (below 20%), the qualitative and quantitative increase of domestic consumptions put on the brake to the increase of the commercialization rate,

or extremely small management aggravated conditions of agricultural management. After a certain period, however, the increase rate of domestic consumption went down, while the commercialization rate rose. There appeared a tendency to an increasing volume of purchases of production equipment and it is also a fact that co-operation of labour raised productivity and created possibilities to increase the surplus of agricultural products.

The central subject of the "People's Economic Plans" of each of 1947 and 1948 in Korea was to reconstruct the destroyed production sectors and to lay the foundation for the self-sustaining economy by correcting the colonial deformity within the industrial sector. Producers' competition for the realization of this and the movement for originality, devices, and inventions for rationalizing production were developed. Such slogans as "economy of material goods, protection of machines and equipment, improvement of labour discipline, reduction of costs, acquirement of technical skills, promotion of production efficiency," etc. were presented in the production competition. When the Government of the People's Democratic Republic of Korea was founded in 1948, its political programme set a goal of the economic policy on the "self-sustaining national people's economy" and was aimed at the complete operation and reconstruction of factories and the creation of new plants. Namely, the major method to raise social productivity during this period was improving and making efficient the system of applying labour power to the labour object. But basic construction investments to increase new fixed capital did not assume a chief factor for the progress of productivity and the greater part of basic construction investments were appropriated for the reconstruction, repairs, and expansion of already existing facilities.

It is about the same in China: her basic economic policy of the national economy in the reconstruction period was the nationalization of mandarin capital, land reforms, protection of capitalistic industry and commerce, and building-up of the foundation of industrialization of the state under the "*Kung-Ssu Chien-ku Lao-Tzu Liang-li*" (policies of taking into account both public and private interests, of benefiting labour and capital). The Chinese First Five-Year Plan starting in 1953 proposed as its task the "construction of the elementary basis of socialist industrialization" and a policy of priority development for this was adopted.

In Korea, during the Three-Year Plan period after the Korean War, a policy of socialist industrialization which would push forward simultaneously light industry and agriculture by promoting heavy industry with priority" was raised. This heavy industry policy had the following characteristics.⁴ That is, in the heavy industry priority the investment emphasis was laid on

4. Tsosön mintsutsuüi inminkonghwakuk kwahakwon kyöngtse-pöphak yönkuso phyön (Institute of Economics and Law of the Academy of Sciences of the People's Democratic Republic of Korea), *Sahaitsuüi e kitsho tshuksöngür ükan uritang e kyötse tsongtshaiik* (Our Party's Economic Policy for Building the Basis for Socialism), Tsosön kwahakwon tshurphansa (Korean Academy of Sciences Publishing House), 1961.

the sectors immediately related with improvement of the people's life. The investment stress was not put on "construction of heavy industry sector in charge of producing productive means as a whole" such as large facilities and large special machinery that will be related with the people's life after the long-term production cycle and that require an enormous amount of funds. Among production means, such a heavy industry sector as related with consumer goods production either directly or through a relatively short production cycle was given more priority. That is, "while within the heavy industry sector capital goods production for production means was given priority over that for consumer goods, at the same time the both were developed by putting them close."

In China during the First Five-Year Plan, it was known that realization of socialist industrialization required three Five-Year Plans and attainment of the highly socialistic industrial country required efforts over tens of years.⁵ In Korea the period of the First Five-Year Plan starting in 1957 was considered to be the stage of constructing the basis for socialist industrialization. And in the period of the Seven-Year Plan beginning in 1961 she was scheduled to develop into a highly advanced socialist country: socialist industrialization would be realized; all sectors of the national economy would be equipped with modern technology; and the living standards of all the people would be raised.

The heavy industry priority policy in socialist industrialization may possibly deepen the gap of growth tempo between industry, in particular electric industry, and agriculture, and intensify strains among various production sectors especially under the conditions of weak industrial foundation. For example, even Soviet "Economic Text" admits that in the Soviet Union the colossal investment aimed at constructing heavy industry within the short term necessarily restrained production of daily consumer goods and the rapid progress of heavy industry worsened the unbalance among various sectors. In the case of industrialization of socialist countries after World War II, it would be possible, unlike Soviet industrialization, to depend on the socialist bloc for the supply of capital goods and the international division of labour and economic aid and credits from the advanced socialist nations for their industrialization plan. In fact, the principal items of basic industrial construction of China's First Five-Year Plan period depended on the Soviet side and in Korea, too, the early construction owed a great deal to the aid from the Soviet Union and East European countries. However, Joan Robinson, who wrote "Korean Miracle," said that "Aid of \$ 550 million from the socialist countries helped to give reconstruction a start. But this was little enough."⁶ She maintained "the pernicious effect of foreign aid prolonged

⁵ Li Fu-ch'un, "Kuan-yü Fachan Kuomin-chingchi ti Ti-yiko Wu-nien Chihua ti Paokao" (Report on the First Five-Year Plan for the Development of the National Economy of the People's Republic of China), a report made at the Second Session of the 1st National People's Congress, July 5-6, 1955.

⁶ Joan Robinson, "Korean Miracle," in *The Monthly Review*, Vol. 16, No. 9, January, 1965.

beyond the first boost" as a lesson. The question would be how to have strategy for the self-sustaining development.

In order to avoid the worsening of the unbalance among different sectors in the heavy industry priority policy, the proper balance in the redistribution of national income and basic construction investment must be maintained. In the case of Korea, "priority development of heavy industry, and a simultaneous development of light industry and agriculture" were set up from the beginning as a basic policy of industrialization. As for the increase of the basic construction investment in Korea, taking 1949 as 100, the total amount of investment was 640, the productive investment 624, and the non-productive investment 677 respectively in 1960, and the ratio of the latter two was 72.6:27.4 within the total investment. Of the basic construction investment amount, the average industry investment between 1956-1960 was some 50%, while the agriculture investment was about 10%. Of the industry investment during this period, heavy industry occupied 81.8% and light industry 18.2%. As a result, production of productive means within the industrial sector of 1960 was 15 times that of 1953 and consumer goods production, 6.9 times. The ratio between the two branches is 55:45. In the case of China, as for the increase of the new fixed fund in the First Five-Year Plan period, the productive fixed fund in 1957 is about 5 times that of 1952, the consumption fixed fund 2.8 times and the total investment 3.17 times. The ratio of the new increase between the productive fixed fund and consumption fund between 1952-1958 is 74:26. Industrial investment occupied 51% in basic construction investment and agricultural investment 0.8%. Heavy industrial investment accounted for 5.6% of the industrial investment. The priority development of production means in industrial production can be seen in the fact that capital goods production in 1958 compared with that in 1952 is 5.4 times and consumer goods 2.2 times and that capital goods production occupies 57.3% of industrial production.

Judging from these figures, compared with the First Five-Year Plan period of China, the Three-Year and Five-Year Plan periods of Korea comprised less gap between industrial investment and agricultural investment, less difference in investments between heavy industry and light industry and a higher rate of increase of consumer goods production. This means that the heavy industry priority policy of Korea did not make the investment ranking in such a simple order as heavy industry, light industry, and agriculture, but continued investments for the harmonious development of light industry and agriculture by giving priority to heavy industry. The gap of growth tempo between industry and agriculture (annual average, industry 18% and agriculture 4.5%) and the low productivity of agriculture which cannot meet the requirements of socialist industry in the period of the First Five-Year Plan of China inevitably brought about the two-legged policy of the "simultaneous development of industry and agriculture" from 1958 on and furthermore the switch to the agricultural foundation policy which set agriculture as the first-ranking investment. The Second Five-Year Plan resolved

at the Eighth Congress of the Chinese Communist Party in 1956 failed to see its normal development owing to the Great Leap and People's Communes under the general line of socialist construction of 1958, the so-called "two-legged policy" (the simultaneous growth of industry and agriculture, of central and local industries and of large-scale and medium- and small-scale enterprises) and the following economic crisis and adjustment policies caused by the natural disasters and the Sino-Soviet dispute.

III. ECONOMIC GROWTH AND THE PATTERNS OF SOCIALIST TRANSFORMATION

It has been maintained that the institutional superiority of the socialist economy in comparison with the capitalist economy consisted in the high economic growth rate. But the question is the balance among various production sectors and qualitative contents of the national economy, along with the high economic growth rate.

Korea, compared with other socialist countries, was most prompt in its economic growth tempo. Moreover, the balance among production sectors was reasonably established to a large extent. In 1953 after the Korean War, as compared with the pre-war 1949, 75% of total social production, 64% of industry, and 76% of agriculture were recovered. The national income for 6 years after 1953 reached about 4.5 times, industry production a little under 2 times. Even in China, which demonstrated higher growth rate than the Soviet Union and the countries of East Europe, the national income was 4.1 times, industrial production 9.3 times in the period of the "Great Leap" of 1958, and agriculture 2.3 times. (Tables 2, 3, 4, 5, and 6)

As for the growth rate of national income, in China, too, the annual average growth rate rose rapidly: during the reconstruction period 19.3% and some 9% during the First Five-Year Plan period, 34% in 1958, and 21% in 1959. In the case of the national income of Korea, during the reconstruction period between 1953-1956, the annual average growth rate was about 30%, about 22% during the Five-Year Plan period and about 12% during the first half of the Seven-Year Plan period. In order to mitigate the partial strain as a result of the rapid progress during the Five-Year Plan period, Korea made

Table 2 INCREASE IN TOTAL SOCIAL PRODUCTION IN KOREA

Year	1946	1949	1953	1956	1959	1960	1963
	100	219	163	355	735	797	1,100
		100	75	165	336	364	502
			100	217	450	488	673
				100	207	224	309
						100	138

Source: Nihon chōsen kenkyūjo (The Japanese Institute for Korean Studies), *Chōsen minshushugi jinmin kyōwakoku kokumin keizai hatten tōkeishū: 1946-1963* (Collected Statistics of the Development of the National Economy of the Korean People's Democratic Republic: 1946-1963), Tokyo, Nihon chōsen kenkyūjo, 1965.

Table. 3 INCREASE IN NATIONAL INCOME

Year	Korea		China
1946	100		
1949	209	100	100
1953	145	70	193.4
1956	319	153	248.3
1959	636	—	414.2
1960	683	328	—
1963	928	445	—

Source: 1) For Korea, as for Table 2.

2) For China, Chūgoku kenkyūjo (China Research Institute), *Shin Chūgoku nenkan 1962* (The New China Yearbook of 1962), Tokyo, Kyokutō-shoten, 1962.

Table. 4 GROWTH RATE OF TOTAL OUTPUT OF INDUSTRIAL PRODUCTION

Year	Total Output of Industrial Production		Capital Goods Production		Consumer Goods Production	
	Korea	China	Korea	China	Korea	China
1949	100	100	100	100	100	100
1953	64	318.4	42	447.5	99	272.2
1956	183	501.9	171	759.7	208	372.4
1957	—	559.2	—	1,020	—	393.0
1958	—	929.4	—	2,070	—	525.4
1960	635		617		689	—
1963	936		870		1,100	—

Source: As for Table 3.

Table. 5 INCREASE IN AGRICULTURAL PRODUCTION

Year	Korea	China
1946	100	
1949	151	100
1953	115	153.1
1955	160	178.8
1958		231.4
1960	224	
1963	268	—

Source: As for Table 3.

Table. 6 ANNUAL AVERAGE TEMPO OF INCREASE IN INDUSTRIAL PRODUCTION (%)

	Korea				China		
	1954-1956	1957-1959	1957-1960	1954-1963	1950-1952	1953-1957	1950-1958
Total Output of Industrial Production	41.7	44.6	36.6	34.8	34.8	18.0	28.1
Capital Goods Production	59.4	46.5	37.7	39.8	48.5	25.4	40.0
Consumer Goods Production	28.0	42.2	34.9	30.5	29.0	12.8	20.0

Source: As for Table 3.

Table. 7 PROPORTION BETWEEN INDUSTRY AND AGRICULTURE (%)

	Korea		China	
	Industry	Agriculture	Industry	Agriculture
1946	28	72	—	—
1949	47	53	30.1	69.9
1953	42	58	47.2	52.8
1956	60	40	54.7	45.3
1960	71	29	70.4 (planned)	29.6
1961	76	24		

Source: As for Table 3.

an adjustment of the national economy which would enable her to maintain the tempo of the level of 10% during the Seven-Year Plan period by reducing the increase rate of the national income of 1960 to 5%. The constant rise of the national economy can be achieved by the balanced progress of industry and agriculture in the structure of the national income, reinforcing an organic link among production sectors and strengthening the material and technical bases. In the Five-Year Plan period of Korea the ratio of industrial and agricultural production became 71:29, and the transition from the agricultural country to the agricultural-industrial country and then to the industrial country was realized.

Likewise, in Korea, as stated before, the state sector had been dominant since immediately after the liberation and during the post-war reconstruction period she fundamentally completed the socialist transformation. The capitalist industry and commerce were of small scale and it is estimated that the average number of employed labourers of private enterprises in 1957 was 1.5 persons. Therefore, the transformation was carried out through co-operation, different from the confiscation policy in the Soviet Union or the state capitalism course in China. Moreover, while the state capitalism of China was realized through the gradual method as a policy of utilization, control and transformation, and she had paid interest of 5% of formerly possessed capital, in Korea, she developed into a higher form of co-operation (distribution according to labour). Consequently, in Korea the proportion occupied by the

accumulation fund in the distribution of the national income had the possibility to exceed that of China and the efficient and planned distribution of the accumulation fund was also made possible.

The internal structure of Korean industry, as shown in Tables 4 and 5, did not have the extreme gap in growth rate between capital goods and consumer goods production, and of industrial products of 1960, capital goods accounted for only 55%. In China, there was a gap of approximately two times between increase rate of capital goods and consumer goods production. In terms of value produced, too, in 1960, capital goods production was twice as much as consumer goods production.

The policy for accelerating the high growth of industrial production and avoiding the advent of the unbalance among various sectors and regions is the "Two-legged Policy," which was raised in 1958 almost simultaneously in China and Korea, aiming for mobilization of all social reserves and potentials for the sake of the high growth in the economic construction. However, in the process of promoting the parallel development of the local and central industries, and the medium- and small-scale and large-scale industries, these two countries exposed a fair degree of difference. In Korea, the centre of the parallel development of central and local industries for founding and reinforcing bases of light industry and for rapidly raising consumer goods production were the food processing industry and the production of daily necessities. The proportion of local industry in the total industrial output between 1959 and 1960 was raised from 33% to 39% and in consumer goods production from 39% to 59%. Local industry supplemented central industry, which enabled saving of social labour by bringing production closer to areas of producing materials and to centres of consumption and mobilized the potential labour power, techniques, and the reserve fund. Also this made the central basic construction investment easy, clarified the division of labour and mutual relation between the central and local districts and made economic construction as a whole efficient.

The nucleus of the Great Leap Policy of the Chinese economy was so-called "iron-making" and she expected high promotion of the economic construction with iron production as the leading sector. It was reported that although by September of 1958, some 700,000 small-sized old-fashioned blast furnaces were constructed by about 50,000,000 labourers, half of them were not operated and 175,000 of them started normal operation in October. But after a month, nearly 90% were dismantled and were converted to small-sized steel kombinats. It is true that this iron-making campaign was never insignificant in the respect that it doubled steel production (disregarding the question of quality) of 1957, the rapid increase in steel production stimulated various related industrial sectors, which proved to be a major factor of the "Great Leap" of industrial production and the campaign destroyed the mystic idea of the mass of people about technology. And yet in the short term China wasted a great deal of funds, material, and labour power.

The general state of the rise in the productivity of labour in industry

of China and Korea is as shown in Table 8. The number of industrial labourers of Korea of 1963 was 5.5 times that of 1946 and industrial production reached 32 times. The number of industrial labourers of China of 1958 was 8.5 times that of 1949 and total value of industrial production reached some 9.3 times. In Korea the shortage of labour power was remarkable, while in China the state of relative excess of labour power continued. Needs of the qualitative improvement in productive factors, improvement and rationalization of the form of allotting labour power, reinforcement of the material and technical basis by expansion of the productive fixed fund would be much more intense under the state of insufficient labour power. The policy of the "Great Leap" of China was one of the models of "capitalization of labour force"⁷ based on "abundance of labour force," in which the absolute increase in quantity of invested labour power was a major factor of the increase in production rather than the rise in productivity of labour. As factors of social expansive reproduction, the absolute increase in labour power, the technical progress or rise in productivity of labour, and the expansion of the productive fixed fund by means of accumulation of capital can be enumerated. However, the basic process of socialistic expansive reproduction are the ones to increase the socialistic accumulation—to increase the productive fixed fund—and to raise productivity of labour.

Table 8 RISE IN THE PRODUCTIVITY OF LABOUR IN INDUSTRY

	1949	1953	1956	1960	1963	1960 (1953=100)	1963 (1956=100)	1963 (1960=100)
Korea	100	78	153	214	251	273	164	117
			1957 (1952=100)	1958 (1957=100)	1958 (1952=100)			
China			152	108	164			

Source: As for Table 3.

In the field of agricultural production, the annual average rate of increase during the period of the First Five-Year Plan was 4.5%, while Korea between 1954 and 1960 maintained the increase rate of 10%. This shows that Korean agriculture had more resisting power against the natural factor (e.g., the standard of mechanization, administrative system, combination with industry). For example, as for the owning of tractors in 1960, Korea had 12,500, while gigantic China had 79,000 and her cultivated area was not more than 5% of the whole arable land. The soundness of Korean agriculture with its development tempo of 10% should be understood in comparison

⁷ Chou En-lai, citing the combination of "the positiveness and creativeness of some thousands, some millions, of people" and the direction of the Party as the cause of the Great Leap, emphasized the role of human power, saying that human beings "are the decisive element in the social forces of production, the most precious form of 'capital.'" Chou En-lai, "Wei-ta ti Shih-nien" (Ten Great Years), in *Hsin-hua Pan-yüeh-k'an* (New China Semimonthly), No. 19, 1959.

with the industrial development tempo. The well-balanced high-rate growth in the relationship between the tempo of economic development and balance is an essential pattern of socialistic reproduction but it is a very difficult planning goal. The leaders of China, since for them "the so-called balance is a temporary and relative unity of contradiction,"⁸ advocate the first sacrifice of the tempo of economic development, by maintaining that the absolute balance will not exist. Kim Il-sŏng believes that "no matter how high the tempo of economic development may be, the unbalance can never be created when it is resting upon the realistic possibilities in the strict sense" and "the most important thing is to develop all sectors at equally high tempo by mobilizing to the fullest extent reserves and possibilities latent in the national economy by virtue of supremacy of the socialist institutions and creative powers of the masses."⁹

IV. OTHER PROBLEMS

The Chinese economy is in a critical situation, brought about by the three-year successive natural disasters since 1959, the stoppage of the Soviet aid and errors in direction. As a result of the policy of "adjustment, reinforcement, filling out and improvement" of the national economy by such means as the reorganization of People's Communes, specialization of agriculture, adjustment of People's Communes by converting ownership to the production brigades, the agriculture-centred policy by setting the investment ranking in the order agriculture, light industry and heavy industry, and democratization of the enterprise administration by the executives' participation in labour and by establishing the group leadership system, China recovered stability in agricultural production around 1962 and entered into the Third Five-Year Plan in 1966. The Great Cultural Revolution dating from 1965 is to be called as a new stage of the socialist revolution. Struggles to recapture power from the so-called bourgeois faction were pressed forward. The revolutionary group controlled enterprises and began to attack economism and material incentives. We must pay attention to the influence on the Chinese economy brought about by the "Great Proletarian Cultural Revolution."

The Seven-Year Plan of Korea, which was to be completed in 1967, was prolonged by 3 years. It is said that its causes are the worsening of economic relations with socialist nations and necessity of repleting national defence. The most important success in the Korean economy can be seen in the agricultural questions. In the "Thesis Concerning Socialist Agrarian Problems of Our Country," Kim Il-sŏng said that the basic principles to solve agricul-

⁸ Mao Tse-tung, "Kuan-yü Cheng-ch'üeh Ch'u-li Jen-min Nei-pu Mao-tun ti Wen-t'i" (On the Question of a Correct Disposal of Contradictions Internal to the People), *Jen-min Jih-pao*, June 19, 1957.

⁹ Kim Il-sŏng, "Tsosŏn rotongtang tse 4 tsha taihoi e taihan tsung angwiwonhoi üi hwartong poko" (Report on the Activities of the Central Committee Presented to the Fourth Conference of the Korean Labour Party).

tural and agrarian problems in Korea were: (1) the technological, cultural, and ideological revolutions in rural society, (2) strengthening of leadership of labourers towards farmers, aid of industry to agriculture and aid of cities to rural communities, and (3) promoting the approach of leadership and management over agriculture to the level of the advanced enterprise management of industry and the approach of collective ownership to that of the whole people by deepening a link between them. Also as conditions to confirm the economic foundation of collective farms, Korea began to carry out: (1) abolition of taxation of agriculture in kind, (2) state's financing of the basic construction of villages, and (3) building of up-to-date houses in villages. As state organs for guiding enterprises, instead of the former executive leadership towards collective farms, the Co-operative Farm Management Committees were organized in each country. These are the first organs for direction of agriculture in the socialist states of the world. This was aimed at consolidating productive linkings between co-operative union ownership and whole-people ownership and at expanding state elements gradually in the process of agricultural production, by leading the over-all activities of enterprises with an emphasis on the technical training and running under direct control such enterprise plants as national workshops of agricultural machines and agricultural machinery factories. Thus, the basic course to approach communism from the approach of the two ownerships is being undertaken, by making up for gaps between cities and villages, labourers and farmers, and brain labour and physical labour. The efficacy of these measures for the transition of the commercial linkings and productive linkings to communism is the theme to be manifested theoretically and practically.