

Index

- Adam Smith, 7, 8, 10
 Alexeev, M., 19, 33, 175
 asymmetric information, 25
- Barlow, D., 238
 Barro, R., 23
 Bennett, J., 232
 Bergson, A., 12, 13, 14, 15, 71, 87
 Berkowitz, D., 239
 big-bang, 4, 217, 218–221, 225, 237–238, 247
 Bilsen, V., 235
 Blanchard, O., 243
 bribery, 174, *See also* corruption
 informal markets, 181
 market-related, 180
 redistribution, 181
 regime stability, 176
 Brus, W., 29
 Bulgaria, 235
 businessmen in Dandong, 133
 advantages, 153
 Chinese (Hanjok), 133, 145
 Chinese-North Koreans (Chosun Hwagyo), 133, 145, 149
 constraints, 153
 Korean-Chinese (Chosunjok), 133, 145
 South Korean group, 133
- Carlin, W., 234
 Central Intelligence Agency (CIA), 12, 13, 14, 71, 88, 89
 central planning, 3, 10
 centrally planned economies (CPEs), 2, 17, 19
 Charemza, W., 17
 Chawluk, A., 18
 Chiang Kai-shek, 281
 China
 Cultural Revolution, 58, 67, 242, 247
 Dandong, 132
 decollectivisation, 250
 Great Leap Forward, 44, 48, 58, 67
 household responsibility system, 246, 247, 248
 initial conditions, 242
 open-door policy, 248
 Special Economic Zones (SEZs), 241, 248
 township and village enterprises, 248
 Chinese investment
 equipment investment, 135, 136, 168
 hiring workers, 135
 joint investment, 135
 joint management, 135
 Chinese trade
 export, 134
 import, 135
 outsourcing, 135
 wholesale/retail trade, 135
 Choi, Joonook, 293
 Chow, G., 242
 Cobb–Douglas function, 15, 296
 collapse, 34, 38
 coordination failure, 31
 corruption, 31, 35
 forced surrender, 31
 informalisation, 31, 33, 39
 North Korea, 3, 284
 radical unification, 285
 socialist economies, 4, 16, 187
 Soviet economy, 31, 32
 computable general equilibrium (CGE) model, 293
 coordination mechanism, 28, 32, 33
 capitalist system, 8, 10
 economic performance, 6
 failure, 31
 socialism, 3, 9
 corruption, 4, 173, *See also* bribery
 ‘bad’, 181, 187
 ‘good’, 181
 defined, 34
 effect on production, 181
 market activities, 180
 quality, 36

324 INDEX

- corruption (cont.)
 - stability, 175
 - theft, 34
- Council for Mutual Economic Assistance (CMEA), 124, 163, 226
- Cross, R., 18
- currency convertibility, 227
- Czech Republic, 222, 230–232, 235, 236
- Czechoslovakia, 14, 231
- Daily NK, 121
- Davis, C., 24
- Davis, L., 239
- De Brauw, A., 248
- de novo* firms, 234, 235, *See also* new firms
- Dejong, D., 239
- Deng Xiaoping, 242, 244, 287
- Dewatripont, M., 27
- disequilibrium model, 24, 30
- Djankov, S., 231, 233
- dual-track approach, 225, 241
 - in price liberalisation, 225, 246
- dynamic stochastic general equilibrium (DSGE) model, 296
- East Germany
 - currency conversion, 263
 - industrial output, 222
 - kombinat, 45
 - privatisation, 232
 - Truehandanstalt, 230, 234
- Eberstadt, N., 79
- economic agents, 6, 11, 15, 21, 67
 - central planners, 21, 26, 27, 30
 - firms, 4, 21, 26, 30
 - households, 4, 21
 - in transition, 250
- economic system, 3, 6, 63
 - capitalist economic system, 8
 - coordination mechanism, 3, 6
 - defined, 6
 - economic agents, 3
 - history, 6
 - objectives, 6, 10
 - property rights, 6
 - socialist economic system, 3, 6, 9, 11, 17, 29, 30, 43, 179
- efficiency. *See* inefficiencies
- entrepreneurship, 225, 237, 239, 286
- European Exchange Rate Mechanism II (ERM II), 263, 264
- exchange rate regime, 223
 - currency board, 228
 - fixed, 223, 228, 262, 264
 - floating, 228
- extensive growth, 11
- Food and Agriculture Organization (FAO), 92, 170
- forced savings, 18
- former socialist economies (FSEs), 11, 16, 17, 25, 30
- Frydman, R., 235
- Gaddy, I., 24
- Gaidar, Yegor, 225
- German Economic, Monetary and Social Union (GEMSU), 281
- Goodkind, D., 48
- Gorbachev, 32, 35, 37, 194
- Goto, F., 71
- gradualism, 4, 217, 218–221, 237–238, *See also* sequencing
 - Chinese experience, 241–244
- Grossman, G., 22, 23, 33, 91, 175, 181
- Haggard, S., 49, 92, 101, 165, 192
- Harrison, M., 26, 35, 37, 179, 181, 194
- Heal, G., 15, 16
- Howard, D., 24
- Hungary, 14, 219, 230, 235
- Hwang Jang-yop, 47, 56
- Hyun Yong-Chul, 198
- incremental capital output ratio (ICOR), 293
- inefficiencies, 4, 11, 14, 21, 28, 38
 - causes, 15
 - firm behaviour, 27
- inflation
 - expected, 264
 - hidden, 11, 12, 36, 70, 72, 88, 224, 251
 - hyper, 225
 - open, 252, 264
 - price liberalisation, 252
 - repressed, 24
- informal economic activities, 23, 31, 39, 103–105, *See also* informal economy
 - bribe, 191
 - central planning, 20, 23

- illegal production, 23
 - informal production, 23, 105, 126, 188
 - North Korea, 101, 108, 187, 276
 - rent seeking, 23
 - shortages, 24
 - Soviet Union, 22, 34
- informal economy. *See also* informal economic activities
 - central planning, 20, 23
 - effects, 33
 - official economy, 23
 - Soviet Union, 22
- initial conditions, 4, 236
 - China, 241, 249
 - Eastern Europe, 244
 - transition progress, 221
- institutions, 239–241
 - contract enforcement, 226
 - dual-track approach, 247
 - economic agents, 21
 - economic system, 3, 6, 7
 - informal, 237
 - minimal set, 240
 - slow-moving, 240
 - transition performance, 218
- integration, 278
 - China–Hong Kong, 278
 - China–Taiwan, 278
 - Closer Economic Partnership Arrangement (CEPA), 281
 - currency conversion, 263, 264, 286
 - Economic Cooperation Framework Agreement (ECFA), 281
 - European Union, 278
 - Free Trade Agreement (FTA), 281
 - gradual, 278
 - Maastricht Treaty, 281
 - stages, 288
- intensive growth, 11
- Jang Sung-taek, 1, 67, 160, 165, 198
- Jeong, Eun-mee, 298
- Jung, Seung-Ho, 168
- Kaesong Industrial Complex (KIC), 50, 167, 170, 172, 240, 256, 257, 282
- Kang, Moonsung, 297
- Kang, Youngho, 237
- Karl Marx, 9, 10
- Khanin, G., 12, 13
- Kim Dae-jung, 282, 283
- Kim Il-sung, 42, 44, 46, 56, 59, 60, 71, 107
- Kim Jong-il, 60–63, 65, 145, 283
- Kim Jong-un, 1, 2, 55, 56, 66, 67, 198, 201, 276, 298
- Kim, Byung-Yeon, 18, 19, 20, 22, 33, 35, 51, 71, 87, 89, 100, 181, 188, 194, 221, 234, 237, 238, 240, 285, 287, 288, 297
- Kim, Suk-Jin, 162
- Kim, Yeo-jong, 298
- Konings, J., 235
- Kornai, J., 16, 19, 26, 27, 29, 236
- Lange, O., 15
- Laski, K., 29
- Lau, L., 247, 248
- Lee, Seog Ki, 272
- Lee, Seung-Yup, 272
- Lee, Suk, 48, 70, 162
- Lee, Young-Hoon, 120
- Lee, Young-Sun, 293
- liberalisation, 218
 - full, 255
 - gradual, 225, 254
 - partial, 32, 34, 181, 194
 - price, 224, 238, 254
 - trade, 226, 256, 257
- Maddison, A., 71, 87, 90
- Mao Zedong, 278
- marketisation, 4, 64–66, 93, 197
 - bottom-up, 49
 - forced, 55
- Maskin, E., 27
- mass mobilisation, 44, 58, 67
- McKinnon, R., 227
- McMillan, J., 235, 236, 239, 247
- Meggison, W., 232
- monetary overhang, 18, 19, 222, 252
- money, 20
 - active, 20
 - passive, 20
- monobank system, 57, 265
- multi-divisional form (M-form), 45, 241, 243
- Murphy, K., 31, 32, 248
- Murrell, P., 233

326 INDEX

- new firms, 235, 236, 276, *See also de novo*
firms
- Niwa, H., 71
- Noland, M., 49, 92, 101, 192
- North Korean changes
 - 8-3 fund, 127
 - 8-3 workers, 102, 107, 119, 127–129, 185
 - bribery, 174, 176
 - collapse, 200, 201
 - currency reform, 197, 198
 - dollarisation, 261
 - donju (private financiers), 64, 298
 - foreign currency earner
(oihwabeoligun), 131
 - gradualist approach, 259
 - jangmadang (informal markets), 101,
109, 178
 - jangse (market fee), 106
 - jonghap shijang, 106
 - maedae (trading table), 106
 - meddugi jangsa (grasshopper traders), 106
 - refugees, 2, 92, 94–96, 184
 - stability, 4, 55, 65, 120, 160, 173, 175,
176, 179, 181, 197–201
 - support for socialism, 195
- North Korean firms
 - army-affiliated, 136, 141, 142, 151
 - cabinet-affiliated, 136, 151
 - categories of firms, 123
 - Daesung Bank, 125
 - Daesung Trading Company, 125
 - Kimchaek Iron and Steel Company,
253, 271
 - Party-affiliated, 136, 141, 151
 - regional government-affiliated, 136
 - Yeonhap Giupso, 45, 123, 286
- North Korean informal economy
 - bribe, 188, 199
 - firms, 126, 127
 - GDP, 89
 - income, 107
 - official economy, 159
 - participation, 103–105
- North Korean initial conditions
 - enterprises, 275
 - exchange rates, 260
 - policy, 265
 - price liberalisation, 251
 - privatisation, 270
 - trade liberalisation, 255
- North Korean institutions
 - anjeonwon (police officers), 179
 - Bowibu (National Security Agency), 179
 - Chosun Joongang Eunhaeng, 42, 265
 - Chosun Mooyeok Eunhaeng, 266
 - inminbanjang (head of the
neighbourhood units), 191
 - Jeogeumso (household savings bank), 269
 - Ministry of the People's Army, 126
 - Party Office 39, 125
 - rodongdanryeondae (labour training
camps), 178
 - Second Economy Committee, 125
 - Workers' Party, 44, 66, 94, 96, 125
- North Korean Juche
 - ideology, 56–57, 79
 - iron, 57
 - method of agriculture, 48, 57
- North Korean performance
 - Arduous March, 47, 49, 70, 92,
103, 172
 - exchange rates, 261
 - GDP per capita, 79–82
 - Gini coefficient, 110
 - growth rates, 70–72, 82
 - inflation, 121–122, 178
 - productivity, 87
 - shortages, 44, 91, 123
- North Korean places
 - Hamkyungdo, 101
 - Kumgang Mountain, 50, 282
 - Masikryeong, 55
 - Pyongyang, 91, 110, 116
 - Rajin-Seonbong, 50
- North Korean policies
 - Central Bank Act, 265
 - Chullima Movement, 44, 58
 - collectivisation, 43
 - Commercial Banks Act, 265
 - currency reform, 65–66, 177–178,
260–261
 - decentralisation, 45, 66, 123, 124, 129
 - external liberalisation, 55, 64
 - foreign direct investment, 79
 - import substitution policy, 79
 - July 1st Economic Management
Improvement Measures, 50–55, 65,
122, 125, 177, 191, 251
 - population census, 48, 96, 105, 106, 111
 - Songun (Military First) policy, 63, 145

- Special Economic Zones (SEZs), 50
- North Korean system
 - central planning, 126
 - Daeam management system, 44–45, 59, 123
 - economic system, 44, 56–59, 67
 - Juseok Fond, 59–60, 70, 131
 - Public Distribution System (PDS), 48–49, 91–92, 102, 251, 254
 - Revolutionary Fund, 129, 131, 160
 - Spot Guidance, 59–63, 70
- North Korean trade
 - export, 165–168, 173
 - export items, 47
 - import, 168–170, 173
 - waku, 129–130, 131, 141, 160, 258
- North, D., 239
- Nove, A., 16
- Ofer, G., 22, 33
- official economy, 99, 108
- ownership
 - private, 8, 9, 15, 51, 64, 234
 - state, 3, 21, 29
- Park Chung-hee, 240
- Park, Jieun, 234
- Park, Kyeong-Suk, 48
- Park, Myoung-Kyu, 288
- Pirtilla, J., 221, 238
- Poland, 14, 18, 219, 222, 230, 232, 235, 236, 239
- political constraints, 219, 227, 237, 238, 241, 247, 250
- Portes, R., 16, 17
- privatisation, 218, 228–234
 - core outsider ownership, 233
 - de-politicisation, 228
 - effects, 232
 - employee buyouts, 233
 - Estonian model, 233
 - investment privatisation funds (IPFs), 231
 - large-scale, 238, 273, 275
 - management buyouts, 233
 - mass, 231
 - restructuring, 234
 - sales to outsiders, 231
 - small-scale, 225, 238, 274
 - speed, 273
 - spontaneous, 230
 - voucher, 233
 - voucher privatisation, 231
- productivity
 - capital, 12
 - central planner, 16
 - China, 271
 - Chinese agriculture, 247
 - East German workers, 222, 263
 - foreign ownership, 233
 - former socialist economies (FSEs), 15
 - informal economy, 33
 - labour, 12
 - Soviet Union, 14
 - total factor, 12
- purchasing power parity (PPP), 73, 89
- Qian, Y., 243, 244
- Radulescu, R., 238
- ratchet principle, 25
- reform
 - complementarities, 250
 - partial, 32
- restructuring, 228, 229, 232, 234, 286
- Roberts, A., 221
- Robinson, W., 47
- Roland, G., 240, 244, 285, 287
- Romania, 235
- Rose-Ackerman, S., 174
- Russia, 19, 47, 222, 230, 235, 236, 243, 250
- Sabirianova, K., 235
- Sachs, J., 242
- sanction, 1, 136, 141, 145, 157, 160, 167, 170, 171, 282
- second economy, 18, *See also* informal economy
 - defined, 22
 - effects, 33
- secondary markets, 19, 33, *See also* informal markets
- self-interest, 3, 7–10, 21, 37
- sequencing, 218, 219, 237
 - optimal, 238, 239
- Shleifer, A., 34, 174, 243
- shortage model, 30
- shortages, 4, 10, 17–19, 22, 30
 - corruption, 181
 - disequilibrium model, 30

328 INDEX

- shortages (cont.)
 - informalisation, 39
 - labour supply, 24–25, 30, 31, 33
 - price liberalisation, 225
 - SBC, 26
 - shortage indicators, 17, 18
 - siphoning, 36
- soft budget constraint (SBC), 26, 27, 30, 244
- Song, Dongho, 100
- South Korean institutions
 - Bank of Korea, 72, 82, 88
 - Hanawon, 96
 - Korea Institute for Industrial Economics and Trade (KIET), 293
 - Korea Institute for International Economic Policy (KIEP), 293
 - Korea International Trade Associations, 163
 - Korea Trade-Investment Promotion Agency (KOTRA), 161
 - Korean Rural Economic Institute, 122
 - Ministry of Agriculture, Food and Rural Affairs, 72
 - Ministry of Unification, 72, 95, 164
 - National Assembly Budget Office, 293
- Soviet Union, 5, 6, 42, 46, 307, 309, 320
 - 1965 Economic Reform, 20, 28, 30, 51
 - blat, 22
 - CMEA, 226
 - collapse, 35
 - Communist Party, 29
 - decentralisation, 28
 - efficiency, 11
 - GDP, 12
 - growth, 12, 13
 - KGB, 35
 - khozraschet, 27, 46, 57
 - Khrushchev, 28, 43, 56
 - Kim Il-sung, 42
 - kolkhoz markets, 22, 49
 - Korea, 41, 42
 - Law of the State Enterprise, 28
 - Law on Private Economic Activity, 28
 - monetary overhang, 19
 - North Korea, 43, 47, 56, 57, 58
 - perestroika*, 28, 29, 32, 35
 - reforms, 29
 - retail price subsidies, 20
 - samagon, 22
 - shabashniki, 22
 - siphoning effect, 20
 - Soviet family budget surveys, 22
 - supply multiplier, 24
 - tolkachi, 36
- stabilisation, 217, 222–224
 - exchange rate based, 228
 - fixed exchange rate, 262, 264
- Staehr, K., 238
- Stalin, 30, 43, 49, 56, 310
- state-owned enterprises (SOEs), 221, 229
- Sunshine Policy, 136, 282
- transition, 217–218
 - China, 241, 244, 249
 - collapse, 201
 - Eastern Europe, 218–221, 224, 231, 244
 - economic system, 3, 291
 - minimum requirements, 287
 - North Korea, 4, 51, 254, 264, 269, 273, 282, 287–291
 - optimal speed, 221
 - reforms, 29
 - stages, 289
- Treml, V., 33, 175
- two-tier banking system, 265, 269, 288, 291
- unification, 5, 222
 - benefits, 5, 296–297
 - costs, 5, 292–296
 - entity, 282
 - German unification, 222, 234, 251, 278, 282, 286
 - gradual, 283
 - radical, 285
 - scenarios, 282, 284
 - special administration region, 283
 - speed, 282
 - temporary separation, 291
- unitary form (U-form), 45, 70, 241, 243
- United Nations (UN), 92
- United Nations Commodity Trade Statistics Database (UN Comtrade), 161
- United Nations Development Programme (UNDP), 72

Vinokur, A., 22, 33	World Bank, 90, 174
Vishny, R., 34, 35, 174, 194	World Food Programme (WFP), 92, 170
Weitzman, M., 25	Xu, C., 243
West, L., 48	Yang, Moon Soo, 188, 193
Woo, W., 242	
Woodruff, C., 235, 236, 239	