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ECONOMIC REPORT ON NORTH KOREA

(26th of the series)

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ECONOMIC REPORT ON NORTH KOREA

This report, necessarily brief because of limited source receipts, consists of materials from the following North Korean periodicals:

Ch'esin (Communications), No 1, January 1960
Kyongje Konsol (Economic Construction), Nos 11, 12; November, December 1959
Kumsok Kongop (Metal Industry), No 10, November 1959; No 1, January 1960
Nodong (Labor), No 12, December 1959
Sokt'an Kongop (Coal Industry), No 1, January 1960

RESEARCHER'S NOTE

In Kulloja, No 2, February 1960, page 64, a correction was made of figures reported in an article in Kulloja, No 1, January 1960. This article was excerpted in Economic Report on North Korea (25th of the series), JPRS: 2547, 25 April 1960. On page 7, figures under the 1959 heading should read:

	1959
Group A	1,992
Group B	1,717
Gross Value of Industrial Production	1,857

UNITS OF MEASUREMENT

Korean Unit	British Equivalent	Metric Equivalent
Length:		
cha or chok	0.994 ft	0.303 m
kan	5.965 ft	1.818 m
chong	357.906 ft	109.091 m
ri	2.440 mi	3.927 km
Area:		
pyong	3.954 sq yd	3.306 m^2
myo	118.61 sq yd	99.174 m^2
tan	1,186.101 sq yd	991.736 m^2
chongbo	2.45 acre	99.174 are
Capacity:		
hop	0.158 qt	0.180 l
tu	0.397 gal	1.804 l
small mal	1.984 gal	9.020 l
large mal	3.968 gal	18.039 l
sok	39.682 gal	180.391 l
Weight:		
ton	57.871 gn	3.750 g
yang	578.713 gn	37.500 g
kun	21.162 oz	0.600 kg
kwan	8.267 lb	3.750 kg

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I. INDUSTRY

Labor Productivity in the Coal Industry

[The following are excerpts from an article, "For the Successful Fulfillment of the 1960 Production Plan," written by Kim Yong-mok, Chief, Bureau of Coal Industry Control, Ministry of Motive Force (Power) and Chemical Industry, Sokt'an Kongop, No 1, January 1960, pages 4-7.]

Under the correct leadership of our Party, the workers, technicians, and office employees of the coal industry achieved substantial results in 1959.

The 1959 plan was fulfilled by 100.2 percent in coal output, 102 percent in capital construction drilling, and 102.8 percent in gallery extension. As a result, for the Ministry of the Coal Industry as a whole, the 1959 recrod surpassed the 1958 level by 24.6 percent in coal output, 25 percent in capital construction drilling, and 38 percent in gallery perpetuation. The per capita output of coal in 1959 far surpassed that of Japan.

Notwithstanding these achievements, there were a considerable number of defects in the coal industry sector.

According to Party instructions, the output of coal was to be increased without any absolute increase in the labor force, and all efforts were to be concentrated on key problems. Contrary to these instructions, more than 20,000 new workers were inducted into the labor force and funds, labor force, and supplies were widely scattered both in production and in construction.

Some coal mines introduced hydraulic coal mining and hydraulic transport, without preparing prior designs or performing prior test operations. Thus, the production of coal was impeded, and these mines did not achieve the anticipated increases in output.

Furthermore, because of delays in the construction of pits, there was no adequate coal reserve ready for immediately extraction. In addition, the work of the maintenance shops

proved unsatisfactory. Under the pretext of conforming to objective realities, some leading officials failed to provide adequate working conditions for the workers and distributed the labor force over a wide range of projects. Thus, they wasted a great amount of labor.

It goes without saying that all these defects were due to the lack of a solid Party ideological system among the leading officials.

For this reason, the basic key to the successful implementation of the tasks of the coal industry in the adjustment period is to consolidate the Party ideological system among the leading workers and to concentrate efforts upon the central key problems.

As Comrade Kim Il-sung stressed in his New Year's message: "In the new year, labor productivity and the utilization rate of facilities should be raised by all available means in all industrial sectors."

Labor productivity in the coal industry sector has heretofore been extremely low. Compared with the average annual increase of 32.5 percent in the output of coal between 1954 and 1959, the annual rate of increase in labor productivity during the same period was only 6.3 percent.

This is a clear indication that in the past increases in the output of coal were largely the result of absolute increases in the labor force. If this situation were to continue, it would hardly be possible to attain the annual production goal of 25 million tons of coal during the Second Five-Year Plan period [by the end of 1965]. This goal would call for the induction of greater numbers of new workers into the coal industry, and this, in turn, would severely damage the implementation of economic plans by other industrial sectors.

What, then, shall we do in 1960 to "increase production with the existing labor force and existing facilities," as called for by the Party?

First, the engineering and maintanance sector (kongmu pumun) should be strengthened by every possible means so that it can meet machinery requirements and enhance the mechanization level.

To this end, the working system of maintenance shops should be rectified and on-the-spot facilities control should be strengthened. In particular, the "shop order pass" should be adjusted, and rule of thumb methods, such as managing these shops without lists of spare parts or repair period charts, should not be tolerated any longer.

An adequate supply of instruments and tools should be provided, and advanced working methods should be widely introduced in casting, cutting, and forging operations.

Pits and other related shops should correctly organize the operation, inspection, and maintenance of facilities. At the same time, the workers should be imbued with a spirit of concern and respect for their facilities.

Operators should follow standard working procedures, and the sense of responsibility of inspectors and maintenance workers should be enhanced. At the same time, a scientifically grounded command system (chiryong ch'egye) should be immediately established in the sector of pit facilities.

Secondly, in the coal mining sector, the procedures outlined in Premier Kim Il-sung's instructions should be strictly followed: "First capital drilling, second preparatory drilling, and third coal extraction."

To this end, the high-speed drilling and high-speed paving in gallery perpetuation should be carried out on a broad scale. At the same time, technical improvements, which are very important for the creation of fuel bases, should be actively facilitated.

In 1959, the average drilling per "maguri" was 33 meters a month and that of high-speed drilling was 57 meters a month, 72 percent higher than the former. As for man-days, the drilling of one meter required 14 man-days. On the other hand, in high-speed drilling, 10.8 man-days were required, 23 percent less than the former.

It is important to expand the high-speed drilling ranks in 1960, but it is even more important to further strengthen the existing high-speed drilling ranks.

Next, to enable the drilling workers to select locations for perforation and detonation for themselves, the leading officials should be presented at extraction sites to provide

direct guidance. Moreover, the detonation efficiency level should be raised above 85 percent, and the drilling speed along horizontal gallery should be increased to more than 100 meters a month.

The scope of pit construction in 1960 will be 15 percent greater than in 1959 in terms of total investment. This includes capital construction dirlling, which increased 12 percent, and gallery perpetuation , which expanded 56 percent.

This indicates that the most important aspect of pit construction is gallery extension.

It should be remembered that in the past the Aoji and Koch'am coal mines could not maintain their galleries, and that the subsequent collapse of galleries not only resulted in a great waste of pit wood but also greatly impeded the production of coal.

The successful implementation of gallery perpetuation work calls for the expansion and strengthening of auxiliary building materials production bases.

Furthermore, such indifferent attitudes as that assumed by the Yongdung Coal Mine, when it had only three cubic meters of building materials on hand although it needed scores of cubic meters a month, should be thoroughly corrected.

In the field of gallery perpetuation, it is important to eliminate the present paving method and to adopt the simultaneous paving method.

If gallery drilling were performed strictly according to arch-form specifications, it would save three man-days for every meter drilled.

When paving is to be carried out by the spraying method, the walls of galleries should be made as even as possible and washed clean with water. In addition, the thickness of the paving should be more than 10 millimeters, so that the quality of pavement can be decisively improved.

Furthermore, there should be an increase in the paving speed.

Thirdly, the concentration of production should be actively expedited.

The wide distribution of coal mines and pits and the multifarious division of coal extraction sites within pits will naturally increase the size of the labor force engaged in indirect sectors and lengthen the extension of galleries. At the same time, it will entail the dispersion of facilities, inadequate ventilation, and less rationalized control over coal mining operations.

Not only would this impede the growth of output, but it would also lower a series of qualitative indices, including that of labor productivity.

Given the dispersion of production processes, even the mechanization of mining operations would not serve to significantly increase labor productivity.

When investment or production rose above the average level in the past, some people erroneously equated these increases with the concentration of production.

In 1959, our coal output was nearly eight million tons. But if only six coal mines--Aoji, Kogonwon, Anju, Yongdung, Sinch'ang, and Kowon--had raised the output of coal to their designed capacity, total coal output would have reached 10 to 11 million tons quite easily.

In 1959, too many coal mines were in operation; worse still, we grossly indulged ourselves in the development of numerous new mines. As a result, State funds, labor force, and supplies were extensively dispersed and many coal mines had a surplus of pits for their coal production.

For example, facilities at the Sinch'ang Youth Coal Mine included the Youth Pit, the Electric Car Pit, the East Pit, and the Tenth Anniversary of the People's Army Pit. These pits should have been integrated into a single unit. The same criticism applies to the Wadong Pit and the Ch'adong Pit of the Pongch'on Coal Mine. Since these pits were extensively dispersed, a huge amount of labor was wasted and the indirect labor was increased out of all proportion. The ratio of the labor force inside the pits to that outside the pits was approximately 60:40. At the same time, the proportion of the direct labor force (chikchop'kong) to the total labor force was a mere 24.5 percent.

To increase the coal output per section (kuyok) within the pits, the number of extraction grounds operated in the conveyor-line cave (ollimgul) should be increased from the

present one or two to three or four, and they should be worked simultaneously.

To increase the load factor of extraction grounds, the length of extraction grounds should be extended from the present 40-50 meters to a minimum of 60 meters. Moreover, extraction should proceed at a rate of at least 30 meters a month.

Finally, labor administration and labor protection should be organized on a rational basis. Adequate work norms should be assigned and the labor force should be correctly appraised for their implementation of the given work norms. At the same time, they should be provided with adequate working conditions and their living standard should be further raised. Thus, they will be aroused to even greater heights of enthusiasm and they will demonstrate their infinite creative originality.

In 1960, each coal mine should strengthen its combined brigades decisively and overcome egalitarianism in wage payment. At the same time, the proportion of the piece-rate system [to the total working force? or wage payment?] should be raised to above 80 percent.

Waste of labor due to frequent turnover should be overcome and the skill levels of the workers should be raised by one-half or one grade in 1960.

Production costs should be lowered, and waste of coal at coal mines, especially high-calorie coal and "B" lump coal, should be eliminated. The consumption of pit wood should be strictly controlled, the diversion of this wood for other uses should be checked, and the pit-wood recovery movement should be extensively conducted.

The leading officials and workers of the coal industry should develop a greater sense of responsibility. They should mobilize all potentials for achieving production increases and economization. (Sokt'an Kongop, No 1, Jan 1960, pp 4-7).

[In the above article, the romanization for the term "perpetuation" is "yongguhwa".]

Power Consumption in the Steel Industry

[The following are excerpts from an article by An Mun-hon, "Several Problems in Lowering the Electricity Consumption Norm in Steel Making by Electric Furnaces," Kumsok Kongop, No 10, November 1959, pages 7-10.]

More than 20 percent of the total output of electricity in the country is consumed by the metal industry; and approximately 30 percent of the power consumption of that industry is accounted for by electric furnaces.

Accordingly, it is very important to reduce the power consumption level per ton of steel ingot produced by electric furnaces.

In a speech at the Songjin Steel Works in March 1959, Comrade Kim Il-sung set forth the task of reducing the level of power consumption to below 1,000 kwh/ton.

This task calls for a reduction in the loss of heat, as well as for a reduction in the time required for steel-making operations and an over-all improvement in technical management.

But, to begin with, this task calls for an analysis of the "balance of heat" in electric furnaces; for on the basis of this analysis, measures may be taken to reduce the level of power consumption.

In an experiment in which steel was made for eight and a half hours with pig iron (30 percent), granulated iron (50 percent), and scrap iron (20 percent), the following results were obtained:

Sources of Heat

From electricity energy	82.6%
Physical heat of materials	0.98%
Heat caused by reaction of heat generation	16.42%
	100.0 %

Uses of Heat

Actual Steel making	29.7 %
Heat taken away by slag	25.1
Heat taken away by gas	4.77
Loss due to heat absorption reaction	3.56
Loss due to water cooling	10.35
Loss through gate of furnace	4.09
Loss at the time of raw material feeding	3.07
Loss caused by electrodes	3.48
Loss from the surface of furnace	5.88
Electrical loss of heat	10.00
	100.00 %

This table, which was taken from our experiment, indicates that only about 30 percent of the heat is actually consumed for making molten steel, i.e., the heat factor (yol hyoyul) is only 30 percent. (The literature of the advanced nations indicates that this factor is more than 50 percent.)

Heat taken away by slag: A rather large portion of the heat loss is accounted for by slag (about 25 percent), as compared with 12 to 15 percent in the advanced countries.

Since a large quantity of granulated iron and pig iron is used for steel making in our country, the amount of slag in the case of steel-making by electric furnaces runs to about 40 to 60 percent per ton of steel ingot.

To reduce slag, the technical problems pertaining to basic and auxiliary raw materials must be solved, and, in particular, the impurities in pig iron must be reduced to the smallest possible amount.

Our experiment indicates that when 100 percent of pig iron is used for steel making, the power consumption per ton of steel ingot is 130 kwh/ton greater than when 50 percent of pig iron is used.

As for improving the use of auxiliary raw materials, they should be pure and dry. This would not only reduce the consumption of power but would also improve the quality of the steel.

At present, power-consumption is increased by 17 kwh/ton when limestone is used in place of caustic lime. For this reason, electric-furnace steel making must switch to caustic lime from the present use of limestone.

Caustic lime and iron ores are both auxiliary raw materials and should be of an adequate size before they are fed into furnaces. Fed in powered form, they would not only produce a low yield but would also damage the ceilings.

At the same time, the elimination of slags should, of course, be carried out effectively.

[Summary of balance of article follows:]

To reduce the heat loss due to gas in the furnace, it is essential to eliminate those impurities in raw materials which would be transformed into gas in the furnace. This is of particular importance in view of the fact that the raw materials used contain a considerable amount of moisture, carbon, and sulphur. For this reason, raw materials fed into the furnace should be prepared in dry form in advance, and caustic lime should be used instead of limestone.

Loss of heat through the furnace gate, as well as that which occurs at the time of the feeding of raw materials, can be prevented through the more comprehensive technical management of related facilities.

Loss of heat from the surface of the furnace may be prevented by improving the construction of furnaces from the initial stage. The base and wall of the furnace should be built with such insulating materials as asbestos or slag cotton and should be lined with refractory bricks.

Electrical loss may be prevented by minimizing the distance between transformer and electrodes.

After having mentioned the methods for preventing heat loss, we will refer to several points concerning technical management.

Reductions in the time required for steel-making operations call for strict observance of standard operational procedures and for an improvement in the feeding of raw materials.

More important, steel making by air (blown-in) should be further developed by introducing advanced techniques. It should be pointed out that through the application of oxygen to electric furnaces, the advanced nations have increased their productivity by 15-20 percent while reducing power consumption by 130-150 kwh/ton.

The use of oxygen in electric furnaces in our country is still in the experimental stage. However, its prospects are bright.

Experimental results indicate that the use of air reduced the duration of steel making by an average of 20 to 30 minutes and is particularly useful for eliminating phosphorous.

The lowering of the power consumption level also calls for the prevention of the reoxidization period (chaesanhwagi). This reoxidization can result from the failure of furnace workers to observe standard operational procedures or from damages to electrodes. If the reoxidization process takes place, it prolongs the duration of steel making by three to four hours and raises the power consumption norm per ton of steel ingot to 1,600 to 1,800 kwh.

It is equally important to eliminate defective products. During the first half of 1959 alone, the output of defective steel resulted in a loss of 47.2 kwh/ton. If the quantity of defective products were to be reduced by one percent, power consumption would be reduced by 14.3 kwh/ton.

To this end, the most important requirements are to observe standard operational prodedures, technical regulations, and inspection regulations.

Finally, the consumption of power can be reduced by seven to eight percent through the installation of an automatic electrode control.

Although this control has been installed in steel works, it has been used only during the oxidization and reduction periods. It has not been employed during the initial stage of the smelting period because of the irregular specifications of the raw materials in use. (Kumsok Kongop, No 10, November 1959, pp 7-10.)

Tasks of the Metal Industry in 1960

[The following are excerpts from an article, "Let Us Successfully Implement the Tasks Assigned to the Metal Industry for the Adjustment Period," written by No T'ae-sok, Kumsok Kongop, No 1, January 1960, pages 4-7.]

The December 1959 Plenum of the Central Committee of the Korean Labor Party set aside the year 1960 as an adjustment period in which all the preparatory work necessary for launching the Second Five-Year Plan is to be carried out.

In his New Year's message, Comrade Kim Il-sung stated that in 1960 "all industrial sectors should raise labor productivity and the utilization rate of production facilities by all available means."

To this end, in 1960, the metal industry sector must first repair and streamline the existing blast furnaces, open hearths, and rolling mills. In addition, by enhancing the technical and economic indices of these facilities, it should also ensure an adequate output of steel materials and special steels required for the production of farm machinery and farm implements.

At the same time, through further concentration of efforts on mineral mines, the latent production potentialities of the existing mines should be fully exploited, the technical provisions of the mines should be decisively improved and the output of nonferrous ores should be decisively increased. Thus, domestic requirements will be met and a greater amount of foreign exchange funds will be earned.

In order to implement these tasks successfully:

We Should further increase labor productivity by all available means and effect stringent economies in the use of our labor force.

In the past, our mistaken attempts to fulfill increased production goals through an absolute increase of the labor force resulted in grave losses to the State.

With this lesson in mind, we should strive to raise labor productivity by improving labor management rather than by relying on further increases in the labor force.

In the mining sector, the labor force in such basic shops as rock drilling, gallery-support erection, and gallery drilling should be increased, and the labor force in the ore transport sections and in auxiliary shops should be reduced.

Secondly, the skill levels of the workers should be raised by at least one grade during the year. Thus, there will be no unskilled workers in the metal industry sector by the end of this year.

Thirdly, mechanization should be introduced on a wide scale. It should begin with easily mechanized operations and proceed to more complicated ones.

Fourthly, it is important to ensure adequate working conditions both in production and in construction.

In particular, an adequate supply of tools and simple instruments required for daily work operations should be provided in order to avoid the shortages that led to work stoppages in some shops in the past. Machine operators, repairmen, and maintenance workers in production enterprises should therefore be supplied with the necessary tools and instruments according to a pre-arranged list of requirements. Furthermore, the responsibility for safekeeping and maintaining these tools and instruments should be gradually given to the individual workers who are actually using them. We believe that if adequate provisions were made for these working conditions, operational efficiency would rise by 10 percent.

Fifthly, the standardization of labor norms and the organization of work norms and wage schedules should be improved in order to consolidate the socialist principle of distribution, i.e., distribution according to the quality and quantity of labor. There should be a substantial difference between the wages paid to workers in basic sectors and those in auxiliary sectors, or between wages in the heavy labor sectors and the light labor sectors. At the same time,

each enterprise should take immediate measures to effect a decisive improvement on the standardization of work norms.

We should maximize the utilization rate of facilities by further enhancing technical indices and accelerating the rate of technical development. At the same time, we should strengthen maintenance work and motive force control.

In view of the fact that more than 80 percent of the total planned production increase is to be effected through increases in the utilization rate of facilities, the required rise in the utilization rate must be ensured in order to fulfill production plans.

In the past, there has been inadequate management of the maintenance and motive force by some irresponsible officials, i.e., the excessive allotment of this force for the expansion of capital construction rather than for the realization of further increases in the utilization rate of existing facilities. This has resulted in the lowering of the utilization rate of facilities, in severe fluctuations in production, and in subsequent losses of scores of thousands of tons of iron and steel.

It is therefore essential that, first of all, the operation of blast furnaces, rotary furnaces, open hearths, electric furnaces, and converters be continuously normalized. Once normalization has been achieved, efforts should be devoted to the further enhancement of technical indices.

At present, any increase in pig iron production by blast furnaces calls for both a balanced composition of the raw materials to be fed into the furnaces and a decisive improvement in the preliminary dressing of iron ores.

The Kimch'aek Iron Works should produce a large quantity of good-quality sintered ores and the Musan Mine should improve the quality of its concentrate above 60 percent. In addition, the iron mines in Western Korea (soson Chigu) should effect decisive improvements in sand-screening (sabyol) operations and should raise the quality of iron ores to an over-all average of more than 50 percent.

The rotary furnaces at the Ch'ongjin Steel Works should be more adequately maintained and carefully inspected, and an adequate supply of the necessary spare parts should be procured. In addition, the quality of refractory materials

[used therein] should be improved so that the normal operation of the furnaces can reach be improved so that the normal operation of the furnaces can reach the level of 300 days a year.

In the steel industry sector, the producive life-span of metallurgical furnaces must be increased before there can be any rise in steel output. As a result of the short production life-span of these furnaces, a huge quantity of steel, which could otherwise have been produced, was lost to the State. Moreover, scores of thousands of tons of refractory materials and a huge amount of labor have been wasted annually.

The basic key to any increase in steel output is to improve the quality of the refractory materials used; this, in turn, calls for a decisive improvement in the quality of the raw materials minerals used for refractory materials. These refractory materials should be molded under high pressure and the intensity should be raised to at least 500 kilograms per square centimeter. At the present stage of development, every effort should be made to extend the operation of rotary furnaces to more than 300 days, the production life-span of open hearths to more than 120 tappings, and that of the ceilings of electric furnaces to more than 30 tappings. Furthermore, measures should also be taken to normalize steel making by converters, especially with a view to establishing the required technical foundation for converter steel making.

In the nonferrous metal industry sector, the technical control system should be further improved and strengthened, and the percent net recovery rate and the quality of products should be improved. In particular, all the sources of foreign exchange, such as cobalt, mercury, sulphur and selenium, should be fully exploited.

In the adjustment period, the mining industry sector should carry out its important task of obtaining a greater amount of foreign exchange.

All the workers and leading officials of the mining industry should fulfill this task by increasing the output of gold, copper, lead, zinc, and tungsten. To this end, drilling should take precedence over actual production, and the technical index per rock drill should be raised by 30 percent.

Air-control work should be further improved so as to ensure a pressure of five kilograms per square centimeter at the extraction wall. We should also gradually proceed to the adoption of the rock drill responsibility system (ch'agamgi tamdangje). [It is not clear whether this refers to the responsibility for safekeeping and maintaining rock drills or the responsibility for extracting in a demarcated area assigned to each rock drill operator.] The scope of successive perforations and combined detonations (yonsok ch'on'gong chonghap palp'abop) should be expanded, and the detonation efficiency rate should be raised above 95 percent in extraction and 85 percent in drilling. The high-speed drilling brigades should be strengthened and organized in order to raise the proportion of the extension of high-speed drilling to total drilling extension to above 25 percent. At the same time, the rock drill stand (ch'agam sut'andu), the side water injector (ch'ungmyon chusugi), the separable bit (pullisik chongmori), and the quenched perforation method (sogyong ch'on'gongbop) should be extensively introduced.

With the introduction of these tools and methods, the actual perforation operation per shift should increase to more than 250 minutes, and the over-all average perforation speed should be increase by more than 10 percent.

As for dressing operations, the degree of pulverization (punswaedo) should be raised and the percent net recovery rate and the quality of concentrate should be increased, so that all the valuable minerals can be fully extracted.

Further improvements in geological survey work are also necessary. The time required for moving test boring equipment from one location to another should be reduced, and the necessary spare parts, water, etc., should always be prepared in advance, so that the test boring speed can be increased by 20 percent.

Geological survey work should be concentrated mainly in areas where existing mines are located, but survey work in new potentially productive areas should not be neglected.

Maintenance and motive force control work should be further improved and strengthened. The maintenance and repair shops of enterprises should ensure that all machine tool facilities are kept in operation for 65 percent of the total aggregate work-days. Above all, lathes should be kept in operation for 80 percent of the total aggregate work-days. Furthermore,

the annual output per ton of the nominal capacity of cupola furnaces should be raised to 800 tons in metallurgical plants and to 500 tons in mineral mines. In this way, at least one month's reserve of materials for cast iron and cast steel goods will be kept in stock.

All cutting machines should process more than 30 tons of metal a year, special machines should be continuously reproduced, and all the enterprises should have a three months' supply of spare parts in stock.

An all-out drive should be carried out to enhance economization and accumulation.

In the past, because of the erroneous ideological view point of some leading officials who maintained that "we should fulfill production plans first," a huge quantity of imported coal and other supplies was wasted, incurring a great loss to the State.

We should eliminate every form of waste, and, by reducing production costs, we should increase national savings. To this end, the internal accounting system should be further strengthened by each shop and brigade of the individual enterprises. At the same time, the consumption norms for raw materials, fuel, and supplies, which account for the largest portion of production costs, should be systematically lowered.

The use of domestic coal should be increased in the production of coke, while the consumption of coke in the production of pig iron should be reduced. Furthermore, it is important to take measures to effect a change-over from the use of imported coal to the use of domestic coal in cupola furnaces and calcinating furnaces. Other imported supplies should also be replaced by domestic supplies.

At the same time, concrete economization goals should be established for the consumption of electricity, iron materials, paving materials, pit wood, etc., and every effort should be exerted to achieve these goals. The same method should be applied to the economization of rubber and oils.

By carrying out these measures, each enterprise should not only overfulfill its production plan but should further increase its profits.

The leading officials of each enterprise should ensure improvements in the life of the workers and devote special attention to the implementation of the cultural revolution.

First, the construction and remodelling of workers' dwellings should be carried out on a large scale, and creches, kindergartens, restaurants, and other cultural facilities should be streamlined to enhance their cultural level.

Moreover, taking into full consideration individual, local conditions, subsidiary enterprises should be launched, so that the living standards of the workers can be more rapidly raised.

Labor safety programs should be improved and adequate working conditions should be provided in each enterprise. Success in the implementation of these tasks largely depends upon the extent to which the leading officials of each enterprise hold a mass point of view towards revolutionary comrade workers.

The tasks which the metal industry is to implement in the adjustment period are indeed honorable and significant ones. The implementation of these tasks entirely depends upon the leadership of the leading officials who are the movers of the economy.

The leading officials of each enterprise should therefore abolish bureaucracy and formalism. They must be armed with the Party ideology and must penetrate deep into the masses to ensure the implementation of these tasks. (Kumsok Kongop, No 1, January 1960, pp 4-7).

II. LABOR

Real Wages

[The following are extracts from Textbook of Political Economy, Chapter XXIX, "Economic Principle of Distribution in Accordance with Labor and Wages under Socialism," prepared by Kim Il-sung University, published in Kyongje Konsol, No 11, November 1959, pages 37-43. These extracts are from page 43.]

Under socialism, reductions in prices of consumer goods constitute another factor for raising real wages. To raise real wages, the socialist state will reduce the prices of consumer goods systematically while nominal wages (myongmok imgum) are raised.

Since the war, the Korean Labor Party and the Government of the Republic have reduced the prices of major daily necessities on seven occasions. As a result, the general price index, with that in 1953 as 100, fell to 46 percent in 1957; foodstuffs fell to 28 percent and items other than foodstuffs to 53 percent. In 1958, the price index again declined two percent from the 1957 level. Thus, between the end of war and 1957, the working masses were able to save 36,000,000,000 won (in the old currency) through reductions in prices.

To increase real wages for the working masses, the Party and state have constantly lowered various [service] charges (yogum). The ratio of these charges to the wages of workers and clerical workers in Korea was only five percent in the first half of 1958.

As a result of rapid increases in nominal wages and reductions in both the retail prices set by the State and in various charges, in 1956 the real wages of the working masses exceeded the prewar 1949 level; in 1957, real wages went up to 130 percent as compared with 1949, and in 1958, they rose to 160 percent or higher.

Under socialism, in addition to continual increases in the nominal wages of workers and clerical workers, the working masses benefit from social and cultural policies which serve to raise their real wages. In Korea, social insurance is obligatory for workers and clerical workers, who

also receive social security annuities from the State. In addition they are entitled to free education, free medical services, and free snaitoriums for recuperation or rest. Students received scholarships. All workers and clerical workers enjoy more than two weeks of paid vaction. Workers engaged in a number of occupations enjoy longer paid vacations.

There has been a continuous increase in the amount expended in setting up educational, cultural, and welfare facilities. Moreover, the sum expended for the development of science and art, for social insurance and social securities for the working masses, and for recuperation and rest facilities has also been steadily increasing. For example, the expenditures for implementing social and cultural policies stood at 56 million won in 1953; but the sum rose to 95 million won in 1955, 177 million won in 1957, and 246 million won in 1958. Thus, under socialism, real wages continue to rise and the living standards of the working people improve accordingly. (Kyongje Konsol, No 11, November 1959, p 43)

Methods for Setting Work Norms

[The following is a summary of a lecture "Normalization (Kijunhwa) of Labor" prepared by the Research Institute of Labor Wages and Norms (Nodong Imgum mit Chongyang Yon'guso), Labor Administration Bureau (Nodong Haengjong Guk), State Planning Commission (Kukka Kyehoek Wiwonhoe), published in Nodong, No 12, December 1959, pages 40-43.]

I. What is the Normalization of Labor?

The normalization of labor signifies the method by which the labor norm or standard amount of labor (nodong kijunyang) to be put into the work (chakop) or task to be performed by a worker is determined.

The labor norm refers to the obligatory amount of labor to be performed by a worker in a definite period of time, and constitutes the basis for setting piecework wages.

There are two aspects to the labor norm. One is the time norm, which is based on the amount of time required in

performing the work necessary to produce a product. If it takes one minute to produce one penholder, then the time norm will be one minute. The other aspect is the work norm, which is based on the amount of work to be performed within a certain length of time. For instance, if a laborer produces forty penholders during an eight-hour period, then the work norm will be forty penholders.

If the labor norm is not accurately set, it will be impossible to apply the piecework wage system accurately. If the labor norm is set at an extremely high level, workers will feel discouraged. On the other hand, if the labor norm is set too low, workers will not work hard; thus a considerable portion of their wages will be wasted.

There are two methods for setting the labor norms: technical normalization and experiental-statistical normalization. In the latter method, the labor norm is set by guesswork, rather than by analysis of the elements of the work in question and by determination of the time required by these elements. It is also a method by which foremen or labor management workers set labor norms on the basis of their own experiences or guesswork, as well as on the basis of statistical records of the work performed by workers. The levels of skill of these workers differ to a great extend, and such statistical records indicate a latent potential to be exploited. In setting work norms, these foremen and labor management workers should compare the achievements of other enterprises in the same type of work. At any rate, experiental-statistical normalization is not based on any technical foundation.

This method will not bring into play the new experiences of workers, the improvement of their skills, the full capacity of machines, and the or ganizational and technical innovations effected in enterprises; primary emphasis is put on conservative and subjective factors. The labor norm set by this method will result in equalization of wages, regardless of the difference between the work performed by various workers; this method will also make it difficult to raise labor productivity and to raise the level of laggards to that of the advanced workers.

Technical normalization is the most advanced method; it is based on the accurate determination of the time required by the elements of the work concerned. In setting the labor norm, this method will examine advanced methods of performing

the work in question, the capacities of facilities, as well as other factors to be considered in attempting to raise labor productivity; this method will also take measures to remedy deficiencies. The labor norm set by technical normalization will not be set too high to be practical; neither will it be set below the level of productivity already attained. It will be set between the level attained by the best workers and the average level attained by the great majority of workers; thus, it will serve as an incentive to raise labor productivity.

In applying technical normalization, the amount of labor required to perform a given task will be accurately calculated; thus, the equalization of wages will eliminated and the rational organization of labor will become possible. This method will therefore contribute to raising labor productivity and to improving the standard of living of the working masses.

The Party and the State have emphasized the need to improve labor normalization in order to raise labor productivity at individual enterprises. The red letter sent by the Party Central Committee to Party members succeeded in mobilizing the entire working masses to substitute new labor norms for old ones. At the local industry factories, the nwe labor norms were three times as high as the old ones. It is the responsibility of the labor management workers in the local industry field to put these new labor norms into effect correctly.

II. Production Processes for Technical Normalization and Their Study.

To make an accurate determination of labor norms by means of the technical normalization method, it is necessary to closely examine the production processes of the work concerned; this is necessary in order to determine whether these processes have been properly organized. If production processes are not properly organized, a substantial partion of the working time will be wated. Therefore, production processes should be examined prior to setting labor norms, so that deficiencies can be corrected.

Production processes refer to the entity in which the two factors required for carrying out the work concerned and for producing goods are closely combined. These two factors are the technical-engineering processes and the labor process. Technical-engineering processes comprise all the changes necessary for the production of goods: changes in location, quality, shape, external appearance, and structure. For instance, in manufacturing paper (ch'oji), it is necessary to go through the "kohae" process, the raw material process, the watering and washing process, and the finishing process. Thus, in all these processes the material will undergo changes in location, form, and structure before the final product is completed.

The labor process refers to all the activities of the workers who are engaged in effecting technical-engineering processes. For instance, in the production of paper, the workers will sort out raw materials, eliminate impurities or foreign elements, supervise the finishing process, cut the finished product, repair facilities, regulate raw materials [probably fuel] and temperature, and clean facilities and work-sites.

(A) Classification of Production Processes

(a) Production processes may be classified in various ways, depending upon the purpose of study, the subjects (taesang) of study, and the methods of study. Production processes are divided into the following four categories in accordance with the methods of processing raw materials, materials (chajae), and half-finished goods:

(1) Passive Production Process. In this process the workers do not use machines or equipment (kiki) but work with implements and instruments and process raw materials and other materials directly through the use of human energy. For instance, workers will use their own energy in giving shape to utensils made of clay, in repairing various goods, in making shoe brushes, and in processing vegetables. In the passive production process, labor productivity is determined to a great extent by the skill of the individual workers. In this type of process, it is sometimes difficult to divide the work into basic work (chakop) and supplementary work, and to determine the time required by basic work and supplementary work respectively. In such cases, the time required by both kinds of work should be classified as operation time

(chojak sikan); this category comprises the time required by both kinds of work.

(2) Machine-passive Process. In this process, both the processes performed by machinery and the processes performed by human energy take place in combination. Examples of this process include the work performed by nonautomated lathes, including wood lathes; and the weaving of clothes by non-automated machines. Since no work can be performed in the machine-passive process without the worker doing his part, provisions should be made for rest hours. In local industry factoreis in Korea, work is for the most part performed by means of these processes.

(3) Mechanical Process. In this process, the work is performed by the machines themselves. Here, man has only to supervise the work done by the machines and to regulate the processes. At present, very little work is carried out in our local industry factories by such processes. We should therefore further strengthen the material-technical foundations of local industry.

(4)"Kiki" [equipment?] Process. This is done by "kiki". The resolution of water by electricity, the melting or fusion of metals, and the work done in cement calcination ovens all constitute examples of work performed by this process. In this process, labor productivity is largely dependent on the maximum utilizaton of "kiki" and on the conditions necessary for the performance of the technical engineering processes; these include the quality of raw materials and other materials, temperature, pressure, concentration(nongdo), electric power, and rotation speed. The "kiki" process is used mainly in the production of metals, chemicals, and cement.

(b) Production processes are also divided into periodic processes and continuous processes.

(1) In the periodic or cyclic process, the process or cycle of putting raw materials or other materials into a machine or "kiki" is repeated. This also applies to the finishing of products. For example, in the production of "dex" or "tex," in the paper manufacturing field, the process covering the period beginning at the point at which "kohaehan" raw materials are brought and introduced into the compressor to be compressed and ending at the point at which the product is taken out is considered to be one period or cycle. The

production of ceramic wares and fire-proof tiles in calcination ovens is also carried out through this periodic or cyclic process.

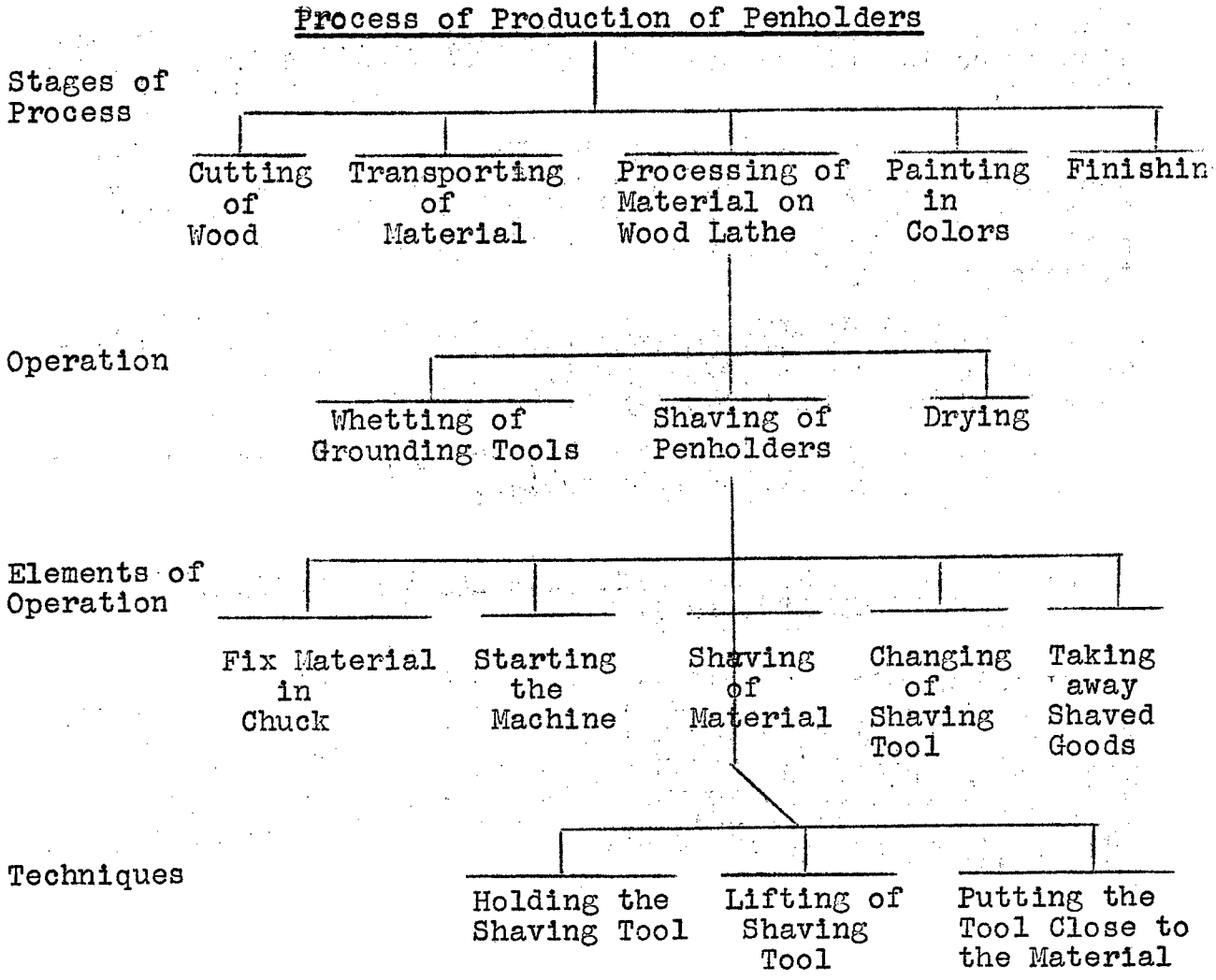
When the periodic process is employed, the work is discontinued between one period and the next. Labor productivity can thus be raised by shortening the intervals between periods or by transforming the periodic process into a continuous process.

The unit in determining the work-day for the establishment of labor norms for the work performed by the periodic process should not be the labor-day but the period or cycle.

(2) In the continuous process, the work is not discontinued and cannot be divided into cycles.

(B) Study of the Structure of Production Processed for Technical Normalization

In order to set standards for the time to be consumed in production processes and to fix labor norms, it is necessary to distinguish between the contents constituting all production processes. As indicated in the accompanying diagram, production processes can be divided into stages (kyedan), operations (chojak), elements of operations (chojak yoso), and techniques (subop).



The stages of a process refer to the part of the process in which equipment or workers process raw materials, materials, and half-finished goods in a work-site, or in which they carry out a given task. As shown in the diagram, in the production of penholders, the stages of the process are made up of the cutting of wood, the transporting of material, etc. The stages of a process can constitute the basis for dividing workshops or worksites in factories. The stages of a process are divided into a number of operations (chojak).

The operations of a process refer to the entire work aimed at changing the location, condition, and form of raw materials and other materials; or, they may refer to changing the quality of materials. For instance, as indicated in the diagram above, the stage of "Processing of Material on Wood Lathe" should be divided into "Whetting of Grinding Tool," "Shaving of Penholders," and "Drying"; these are classified as operations.

When a given operation is completed, the raw materials, materials, and half-finished goods will be taken to other worksites; tools will be changed; or another group of workers will take ov er.

The operations constitute a basis for differentiating the occupations and specialties of workers and represent the basic unit in calculating labor norms. Operations, in turn, will be divided into a number of "Elements of Operation." Here the work takes on an independent character, and even though the contents or substance of the work, as well as its name, are changed, the same group of workers will continue to work. Take the operation of "Shaving of Penholders" indicated in the diagram above: it is constituted of "Fix Material in Chuck," "Starting the Machine," "Shaving of Materials," "Changing of Shaving Took," and "Taking away Shaved Goods." Thus, "Elements of Operation" constitute the complete substance of work in which material is to be divided into smaller ones. Thus, it forms a basis for studying the division of work, cooperation, and specialization.

The elements of operation are again divided into techniques (subop). For instance, take the "Elements of Operation of Shaving Material," given in the accompanying diagram. This is divided into "Holding the Shaving Tool," "Lifting of Shaving Tool," and "Putting the Tool Close to the Material." Both elements of operation and techniques constitute units to be used in the observation and study of the consumption of working hours. This is requied for working out standard operational methods (p'yojum chojak bop) and for the technical normalization of labor.

The length of time and the length of the entire production process are dependent upon the rational system [or structure] of the individual techniques and as well as upon the procedures. Their study is therefore important in raising labor productivity and in technical normalization.

The study of production processes will make it possible to rationally organize labor and worksites, and to shorten the length of production processes. It will serve to raise labor productivity and to lower costs by disclosing methods for the discovery and utilization of production reserves. Moreover, it will constitute a basis for an accurate assessment of the quality and quantity of labor.

The problem of the rational organization of worksites and production processes should be studied. The former constitutes an important factor in the technical normalization of labor. (Nodong, No 12, December 1959, pp 40-43)

III. COMMUNICATIONS

Past Achievements and Future Tasks

[The following are excerpts from an article by Ch'oe Hyun, Minister of Communications, "Challenging Tasks of Communication Workers in the New Year [1960]," Ch'esin, No 1, January 1960, pages 4-6.]

As of the end of 1959, the gross value of industrial production plan envisaged in the First Five-Year Plan was fulfilled 113 percent.

Our communications workers, technicians, and office employees have fulfilled their plans assigned under the First Five-Year Plan and have successfully met the communication's requirements of the people's economy.

In particular, the universal extension of through-wire broadcasting networks and the electrification of rural areas, which will greatly contribute to the execution of the cultural revolution in our country, were basically completed in 1959. At the same time, through the elimination of communications accidents and other difficulties, the quality of communications and communications services considerably improved.

Through bold thinking and bold action, as called for by the Party, communications workers and technicians succeeded in using indigenous raw materials to manufacture ferrite magnets and various enamel copper wires of up to 0.08 millimeters. Thus, a great amount of foreign exchange was saved. Furthermore, continuous research by communications workers in Hamgyong-namdo resulted in the successful zinc plating of iron wire.

At the patriotic initiative of communications workers, nearly 300 tons of idle iron and copper wire were utilized, more than 1,000 switchboards and 1,000 telephones were manufactured, and more than 20,000 telephone poles were produced with local resources.

Even without modern facilities, many communications enterprises produced several hundreds items of through-wire broadcasting equipment with varying output. In addition,

the students of specialized communications schools, aided by communications construction enterprises, built a grand communications school building, dormitory, and dining halls with a total floor space of 10,000 square meters. Thus, the material foundation necessary for the training of communications cadres has been established.

In 1959, the communications workers fulfilled the plan not only in turns of gross production value, but also in terms of individual indices of production.

However, there have been numerous defects in our work. The most important of these defects has been the failure to grasp the key to every work project and to concentrate efforts upon it.

For example, the rash undertaking of expanding the communications network without first performing the necessary concrete studies resulted in the decentralization of both efforts and resources and in the resultant failure to ensure the required technical normalization value. This was especially the case in the communications network that links kun and ri.

Some defect appeared in the production of speech amplifiers. There was no adequate groundwork capable of ensuring the fulfillment of the ambitious production goals originally set forth; accordingly, amplifier production plans had to be revised several times at the expense of a great deal of waste in labor and materials.

Furthermore, although great number of women and new workers entered the labor force in the communications sector, their training was extremely superficial. Thus, any improvement in the quality of communications was impeded.

We should learn from our experiences and eliminate these defects from our work in 1960.

We should improve the work of the communications sector in accordance with the basic direction of the tasks for 1960 set forth by the December Plenum of the Party Central Committee. We should meet the communications requirements of the people's economy and the people, not by any further expansion of the communications network, but by improving and increasing the utilization rate of existing communications facilities.

The most important task for communications workers in 1960 is to integrate (t'onghap) communications lines through an all-out mass drive.

At present, a large number of the communications lines in our country are located on cultivated lands, thereby greatly hindering the large-scale mechanization of agricultural operations. In addition, most of these lines are not straight. For this reason, in 1960 the communications sector should integrate its own lines, and engage in coordinated projects to integrate the communications lines operated by other ministries.

The central task of the integration of communications lines is to uproot the poles currently situated on cultivated lands, to straighten curved lines, and to effectively utilize the telephone poles, iron wire, and copper wire thus made available. Since communications lines are distributed over a wide area and their integration calls for a great deal of manpower, preparatory surveys of lands should be thoroughly carried out, and the necessary materials and tools should be prepared in advance. In addition, to avoid interference with farming the necessary manpower should be organized with mobility so that the task can be implemented either before the spring farm season or after the autumn harvest. Furthermore, this task should be carried out through the cooperative division of labor and mutual aid in close cooperation with other related organs. It must be implemented in such a manner that the quality of the erection work will be adequate and that normal communications will not be interrupted.

The next important task of the communications sector is to complete the extension of telephone lines and the through-wire broadcasting network to all echelons lower than the kun.

In the communications network between kun and ri, an additional line should be added to the present single line to create double lines. In addition, party lines (kyomyongson) should be replaced by private lines [that is, of individual ri], and communications lines should be extended to ri where there are none at present. At the same time, the types of lines laid between sections should be made uniform, and switchboards and through-wire broadcasting equipment should be thoroughly improved so that they can be operated according to normal technical values.

Sections should be improved to include separate trunk lines for telephones and the through-wire broadcasting network. In addition, humming noises in telephone communications should be eliminated, and all speech amplifiers should be kept in excellent condition.

The success or failure of these renovation projects primarily depends upon whether the required zinc-plated iron wire manufactured by the zinc plating plant in Hamgyong-namdo is of good quality and whether it is produced in sufficient quantity. The successful implementation of these tasks also depends upon whether each province in the country can produce 20,000-odd concrete telephone poles this year as expected. For this reason, the officials of the Ministry and of each province should secure and supply the raw materials necessary for their production of telephone poles.

Adjustment and renovation of existing communications lines should be preceded by careful field surveys by communications organs. These projects should be carried out on a selective basis to ensure that efforts will be concentrated only on key objectives.

Another essential requirement is to meet increased communications needs by raising the utilization rate of existing facilities rather than by expanding facilities.

This requirement calls for systematic preventive repair work on lines, so that communications difficulties can be prevented in advance.

The Central Communications Equipment Repair Plant (Chungang T'ongsin Kigye Suri Kongjang), provincial repair shops (suriso), and city or kun maintenance and motive force shops, should be further strengthened. Thus, they will be able to produce the machine parts necessary for the maintenance and operation of the existing communications facilities which are under their management. In addition, they should also reproduce and utilize various tools, repair damaged equipment and parts, and produce the equipment necessary for the mechanization and automation of difficult work tasks.

This task also calls for an increase in labor productivity. Mechanization and automation should be positively facilitated, and the skill levels of all workers in the communications sector should be raised by at least one grade in 1960.

New workers should be given short-term training or individual training so that they can master their work within the shortest possible period. In particular, the technical skill levels of the leading cadres should be further raised. It is, of course, also vital to further enhance the economic knowledge of managerial officials so that they can correctly organize and guide the given assignments..

It is equally important to strengthen the struggle to economize foreign exchange in the communications sector.

Vacuum tubes and other communication equipment and supplies should be reproduced and their life span should be increased. Decisive measures should be taken to replace imported telegraphic tapes, carbon power, carbon particles, etc., by facilitating the domestic production of these goods. In this connection, communication workers are expected to make great contributions through their originality and creative efforts.

Throughout the communications sectors, an intensive drive should be continuously carried out to eliminate all sorts of waste on the one hand, and to mobilize all available latent potentials on the other. (Ch'esin, No 1, January 1960, pp 4-6)

IV. FINANCE

Determining Costs of Industrial Products

[The following are excerpts from Chapter 30 of the Textbook of Political Economy entitlted "Independent Account System, Profits, Costs,and Prices," presented by the Department of Political Economy, Kim Il-sung University, in Kyongje Konsol, No 12, December 1959, pages 34-42.]

In 1957, of the total cost of industrial products in our country, raw materials and basic supplies accounted for 60.4 percent, auxiliary supplies-10.4 percent, fuels - 3.3 percent, electricity - 1.1 percent, depreciation - 3.7 percent, basic wages and additional wages- 13.7 percent, social insurance - 1.1 percent, and other expenditures - 6.3 percent.

The State organs employ planning to systematically determine the tasks of reducing the original cost of products on the basis of increases in labor productivity. The following factors are taken into consideration: the progressive norm and the acceleration of the revolution in labor expenditures; the utiliaation of both fixed and liquid assets; and the reduction in administrative expenditures.

The cost of industrial products in our country has been decreasing systematically year after year. For example, the cost of the products of State industry fell from that of the preceding year by 11.6 percent in 1954, 15.5 percent in 1955, 6.7 percent in 1956, 11.1 percent in 1957, and 8.6 percent in 1958.

The surplus products created in socialist society as a whole constitute social net income.

The entire net income of the State-operated sector is owned by the people as a whole. This net income takes two basic forms: the net income of State enterprises and the net income of the State due the Central Government (chungang chipjungjok kukka sunsoduk). The net income of these two forms is created by productive socialist enterprises.

The net income of an enterprise and that of the State due the Central Government differ from each other in terms of their accumulation and utilization.

The net income of State enterprises is that portion of the net income which has been created by surplus labor for society but which remains in the enterprise and is mostly utilized to meet the requirements of the enterprise.

The net income of the State due the Central Government is that other portion of the social net income which comes into the hand of the State and is spent for meeting the needs of the entire people.

The net income of socialist enterprises is utilized by the State according to a plan; a portion of this income constitutes the enterprise fund (kiopso kigum) for the expansion of the enterprise or the sector to which it belongs (capital construction investment and increasing the enterprise's own liquid assets) and for the improvement of cultural and welfare conditions for the workers of the enterprise. Any portion of the net income of the enterprise remaining after the above requirements have been met goes into the State revenue as a profit deduction.

The enterprise fund is formed by all the State enterprises which have an independent balance under the independent account system. The enterprise fund is formed by an enterprise only when it fulfills or overfulfills State plans for the production of goods as a whole as well as for basic product items. It must also fulfill or overfulfill the plans for original cost reduction as well as those for the accumulation of net income (profit). The source of this fund is the net income of enterprises. Where plans do not envisage a profit, such enterprises form their enterprise fund with savings effected through reductions in the cost of their products.

In our country, the enterprise fund is formed as follows:

	Rate of Increase thru Planned Profit	Rate of Increase thru Surplus Profit
Mining Industry	10 [%]	50 [%]
Coal Industry	10	90
Metal Industry	10	50
Machine Building and Repair	5	40
Shipbuilding and Repair	4	40
Power Industry	7	40
Chemical Industry	2	40
Building Materials	12	40

Note: The rate at which the enterprise fund is formed is different for the individual production sectors, according to their importance, the number of workers employed, and the amount of net income.

The formation of the enterprise fund is thus dependent upon the quality of the economic activities of the individual enterprises.

Now, the net income of the State due the Central Government is collected for State revenue in the form of various deductions from the income of socialist enterprises. The principal deduction is the "turnover tax," as it is called in practice. Though called a "tax," it is not essentially a tax levied on the people, but a portion of the surplus goods produced by the production sectors. In view of the need to increase the real wage level of the workers, therefore the wage schedules are determined by taking the prices of consumer goods into account, with "turnover tax" included.

In the course of redistribution, a portion of the net income of State enterprises is transferred to the State as a net income of the State in the form of profit deduction. Another component of the net income of the State is the social insurance premium, though in practice it constitutes

a part of the cost of products. In addition, a portion of the net income of cooperative enterprises is collected toward the net income of the State.

In our country, there are two kinds of prices for industrial products.

The enterprise wholesale price is the price at which a product is exchanged by one State enterprise with another. Accordingly, the enterprise wholesale price includes the planned original cost of products plus the net income of the enterprises concerned.

The commercial wholesale price is the price at which the enterprises sell industrial products to State and cooperative commercial enterprises. Therefore, the commercial wholesale price includes the enterprise wholesale price plus the "turnover tax" which constitutes a part of the net income of the State.

In a socialist society, net income is created in all the production sectors, such as industry, agriculture and transportation. But that portion of the net income of the State taken in the form of the "turnover tax" is deducted mainly from the sectors which produce consumer goods. In general, the price of the products of the sectors which produce means of production does not include "turnover tax."

The net income originally created in heavy industry is realized in light industry and is other sectors which produce consumer goods. This ensures a low price level for the means of production used in industry and agriculture and accelerates the mechanization of production operations; thus an increase is effected in the production of consumer goods and a reduction is realized in their original cost. (Kyongje Konsol, No 12, December 1959, pp 34-42)

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