

# **North Korea's State Ration System**

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# **North Korea's State Ration System**

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**I. Introduction**

Bong Dae Choi and Kah Woo Koo, researchers at Kyungnam University, write: "The mid- to late-80s saw the solidifying of farmers' markets due to government regulations while at the same time, saw the emergence of black markets increase their importance. The preceding factors and reemergence of farmers' markets were the physical change in the state distribution system and the binding power of the intangible anti-market sentiment." We will have to see how the market structure in policy is seen by the market of North Korea.

**II. Market Structure**  
**III. Nautilus Institute Report**

Currently, interest is focused on the changes in North Korea's agricultural economy. The North's planned economy was on the verge of complete paralysis as the shortage of foodstuffs and other necessary items led to the breakdown of the national ration system in the latter half of the 1990s. Signs of change, centered on the daily lives of North Koreans, could be seen in the socialist economy that previously allowed little private ownership. Changes based on examples set by other socialist countries suggest the possibility of North Korea's structural shifts. Furthermore, the North Korean government embarked on "Economic Reform Measures" in July 2002. In March 2003, existing farmers' markets were reorganized into general markets based on these measures. A North Korean official press release justified the change by stating that markets were a more proper tool than the state for meeting the demands of the society, and a more constructive policy would be forthcoming. The propensity for structural changes and the extraordinary attention given to related matters is a key component here, as we wait to see the outcome of the North's latest moves to spin half the sale of grain on the market and reconstitute the ration system that seemed to be a thing of the past.

In a classical socialist system, farmers' markets and similar legal markets are considered to be secondary, playing a supporting role to the Communist party's monopoly on power and the bureaucratic management system of a nationalized planned economy. Bureaucratic management is built on management through asymmetry of the participants - the vertical relationship between the manager and the managed. Market control operates based on horizontal relationships and spontaneous contracts between participants. This type of socialism is a communist "transition" or "transformation" of capitalism. This market activity within a socialist economy cannot help but have some remnants of capitalism, socialist society's necessary evil. It follows that, despite the operation of farmers' markets and similar market management functions, these legalised black markets do not contradict official ideology. However, the problem is that this explanation of current socialism can conceal problems within classic socialist structures. We believe that the evolution of farmers markets and similar market management functions is caused by the insufficient economy of classical socialism, and that system's unbalanced ration program. Our first assumption is that when considering the construction of the classical socialist system, there is no possibility for the existence of farmers' markets. However, the existence of these legal and illegal market functions resulting from an inadequate economic system and the increasing activity of these market functions are not cut from the same cloth. When these functions emerge, there is a concern that they could lead to the collapse of the mechanism, planned economy. It is also difficult to explain the relative stability in North Korea during the "Midtown Market." The activity of legal and illegal markets can expand the state's anti-market sentiment of the everyday citizen, an ideology officially stressed without end by the government, is weakened. This sentiment is weakened when either the official ideology's effectiveness is weakened or when the state adopts market reforms as a state policy.

It is also in preparation, the reorganization of legal markets within the classical socialist system increases the level of instability, and this can directly affect a shift in preparation of those operating under the system. The economic structure employed in the DPRK is socialist. From 1950 to the 1970s, the system, and the selective ration system in operation besides it, explain the existence of farmers' markets, but the markets never grew because North Korea did not face any serious economic crisis. In accordance with DPRK official ideology, farmers' markets are a function of socialist economies. However, official ideology was able to employ measures to enforce an anti-market ideology. This weakened farmers' markets to a secondary supportive role, underneath the planned economy.

However, in North Korea entered the 1980s and its economic crisis grew. The influx of foreign materials and the failure to reach the production expansion goals of the national planned economy led to an increase in activity in not only farmers' markets but black markets as well. As the measures that had been holding back the spontaneous order of markets began to disappear, residents in cities began to learn market economics in order to grasp the changes, and set off the expansion of farmers' markets, as well as black markets both within and separate from the farmers' markets. The most important factor here is the weakening of the DPRK citizens' sense of state-marketism. The overlapping of farmers' and black markets in the 1980s was a result of North Korea's failure to offer material incentives to workers, and the economic underkings of North's citizens during some level of economy. Until at least the early part of 1980s, North Korea's 'restricted activity' farmers' markets did not break out from under the control of administrative policy. There are many reasons for this, but following the establishment of farmers' markets, supplementary systems: measures put in place by the North Korean authorities in order to limit side effects were not unveiled. Those measures went beyond the role of restricting the market when these supplementary systems: tools did not work successfully, they created a lesser relationship with the planned sector.

Following that, with the official announcement of the socialist reorganization in 1985, those groups were completely incorporated into the planned system as they transformed into cooperative production and consumer groups. Even so until the 1970s, it was practically impossible to find markets in cities or in agricultural towns. In the latter half of the 1980s, when the economy faced stiff stagnation, temporary, illegal markets and family businesses reappeared, and functioned reasonably effectively. In order to respond rapidly to the farmers' markets, authorities decided to seize goods that had the potential to be delivered to the markets. This was because even until after the Korean War, individual producers were not just satisfied with getting into the grain business, but individuals wanted to get into the business of selling daily-use items were procuring the necessary raw materials for forming individual relationships with farm workers. This drove the State to strengthen and expand operations in order to bring individual farmhouses under the umbrella of the farming cooperatives. In 1957 the subject of selling from cooperative farms was addressed and the supply of agricultural products was increased by the state through the state purchasing mechanism and cooperative trade. By taking hold of the production base, the North Korean authorities were able to control both the production and the distribution of goods.

As the process of operating a state system of planned distribution of foodstuffs and everyday items for its citizens, the North Korean authorities decided to restrict city residents from participating in farmers' markets. It followed that the state of agricultural goods that were on the required purchase list was distributed, and this could be seen as one measure restricting the participation of city residents in farmers' markets. Authorities reinforced the systemic structure by replacing the market-oriented distribution system with a food rationing system based on state-allocated prices. In 1986, DPRK authorities established a foodstuffs rationing system for limited classes such as students and office workers. This system was gradually expanded. As this expansion occurred, in November 1957, the Cabinet banned the independent sale of cereals by passing articles 96 and 102. By employing a state rationing system for all citizens except farm workers.

**The Weakening Rationing System and Citizens' Empirical Realization**  
North Korea's socialist economic production had come under pressure for a number of reasons since 1960. These factors perpetuated tensions within the North's economic management system. This can be seen, for example, in the North's dissatisfaction on the limitations to the strategy for extended economic growth and its coming to grips with a plan to overcome them during the late 1960s. As these problems caused tensions within the planned economy in the early 1970s, they brought about a weakening of the distribution system for foodstuffs and daily necessities. After putting a total ration system into effect in 1963, North Korea authorities provided laborers and workers with an average of 700g of food per person per day until the beginning of the 1970s. However after 1973, citing the war as a reason, rations were reduced by two out of every 15-day's worth. In addition, as contrast to the previous system, children's supplements began to be redistributed 'without according to age'. Also, additional reductions were incurred under the fact of rationing so that at the end of the 1970s, one man's worth of rations had been reduced by 14.15 percent. This time also saw the ration system in rural areas supplying food less every two or three days, and as the early 1970s saw the emergence of markets to fill in for the food rations.

During the mid 1970s the changes to the rations for city laborers' household necessities was not insignificant. The authorities had already established the sale of non-foodstuffs in 1967. However in 1974 they broadened the list of products not suitable for independent sale, thus increasing their control over the distribution of necessities. In addition, during this time, ration cards for foodstuffs, industrial products, and fuel were issued, and a household ration card system was put into effect. The card system was an experiment in micro-management of the distribution of daily requirements. In reality, the scarcity of necessities and goods available to the average citizen shopping at the government stores became widespread during this time. The mid 1970s saw the deterioration of the distribution system for food and necessities, and the lives of city residents as consumers were considerably more restricted than before. Local party officials, military and security, and 'powerful' administrators, as well as those working in the distribution sector in the government stores and some service providers such as those in the education and medical fields did not face food shortages, and individuals or couples working in low level skilled jobs, laborers, office workers, and the like faced more particular trouble due to food shortages but for the ordinary, non-food items and clothing had to be purchased, and cash was short at hand.

On the other hand, unlike those in the government stores, the food shortages in the mid 1970s seemed more than a little difficult. For example, those households on collective farms on the outskirts of the city found it difficult to get by on only what was provided by the ration system. In addition, death was striking more of those urban laborers living in households with many children. Other regions were similar; with those houses solving shortages by purchasing necessities from within the neighborhood. As the rationing system was tightened, food supplies and industrial products became more difficult for the average citizen to obtain. Soy sauce, dumplings (Korean pasta made with soy beans), and other products, despite their low-grade quality, were at least still distributed through the end of the 1980s. Eggs, clothing, shoes, and other materials were not always available, and could only be bought when they could be found in the stores. Toward the end of the 1970s, opportunities were arising out of manufactured goods that could actually be sold rather than just used for display. These goods were collected from cities, towns, and other distant farmers by farmers were procured by trading their own assets gained from the sale of rations was spent on the purchase of other necessities. These things in the city found similar or worse conditions. However, several residents did not face any severe difficulties as a result of the collapse in the rations. Compared to the 1970s, certain assets and assets were more difficult to come across in the state-owned stores during the 1970s, so some non-essential items became gradually more scarce, however the general consensus was that as the ration system was reduced, there was no real problem with adjusting. Despite the shrinking food rations and opportunities to purchase daily necessities, many defectors have claimed that the maintaining of the national ration system as the reason for their flight. Also, even though rations were reduced, the fact that food rations continued in a slightly more important factor.

However, even more important than these factors is the anti-market sentiment that continued to hold all leverage power over the people. Farmers' and black markets became more active during the 1980s, but were not yet fully understood by the people. People's lives were completely consumed with anti-market sentiment, which was an integral part of the food ration system. Uncertainty about the ability to establish an independent economy ideal can also be seen to have in place at least until the 1980s. Even with the explosive growth in farmers' markets since 1990s, it is difficult to see this type of anti-market mentality fading in the near future. However, it is also necessary to recognize the limitations of the ration system whose weakening is chipping away at the binding power of this anti-market ideology.

**Conclusion**  
North Korea's complete collectivization of farms and private industries in 1958, and from then until the end of the 1980s, farmers' markets were the only legal outlet in the unregulated sector. The authorization of independent sales of agricultural goods raised farmers' incomes, yet despite that the government officially affirmed the legality of 'limited use' of markets, the use of state distribution systems for food stuffs and daily necessities, meant that the lives of most city residents were little change. In the 1970s, when measures to reduce food rations and implement ration cards for daily necessities led people to the brink of poverty, they still rarely shopped at farmers' markets. While there was a particular stress on the daily lives of citizens, the most important reason behind the inactivity of the farmers' markets was, more than anything, the state's distribution system for food and daily necessities - a system that, however unable to deliver the necessary amounts, was able to supply citizens' needs.

Another important factor that cannot be ignored is the effect of the binding power of the collective anti-market mentality that considered traders as the parasitic products of capitalism. Also worth noting is the almost complete lack of household funds that could be spent on goods outside of food and necessities. Farmers' markets, situated by the state as the state distribution system was employed, played only a subsidiary role in the 1980s as well. As the first half of the 1980s passed, it was slightly more difficult for city residents to get their share of food and daily rations, however, the state factories that played a role in the 1970s continued to see it that farmers' markets remained in the periphery. However, in the mid to late 1980s it became impossible not to rely on the black markets operating within the farmers' markets. There are several factors behind this as well. 1) At its time when by the state distribution control continued to weaken, and the farmers' markets previously pushed to the outskirts of the planned economy arose as a tool for supporting one livelihood, as theft of goods from factories could be traded for food or supplies as a barter system developed; 2) Since the middle-class demand, Chinese goods increasingly made their way into the country and a wider range of goods became available on the black market; 3) In the latter half of the decade, products previously available only through the state's direct market stores slowly made their way to the black market.

It became impossible to allow illegal distributions of these goods, just as the illegal distribution of goods was underway in farming regions, leading to the reemergence of black market traders. It goes without saying that the government decided to strongly clamp down on these activities. The need to allow the use of the farmers' markets was evident from the same time, when the economic re-emergence of black markets became more important. The preceding factors and reemergence of farmers' markets were the physical change in the state distribution system and the binding power of the intangible anti-market sentiment. It follows that these tangible and intangible measures, along with the three factors mentioned previously, opened the door to how significant influence on the emergence of markets and consumer economies. We will have to wait and see how the latest reversal in policy is seen by the marketers of North Korea.

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