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Recommended Citation

"North Korea's State Ration System", NAPSNet Special Reports, November 03, 2005,
<https://nautilus.org/napsnet/napsnet-special-reports/north-koreas-state-ration-system/>

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I. Introduction

Bong Dae Chul and Kah Woon 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 providing factors over the sideline activities 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 wait and see how the latest reversal in policy is seen by the authorities of North Korea.

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by Bong Dae Chul and Kah Woon Koo

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 this 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 again halt the sale of grain on the market and reestablish 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 in 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.¹ 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 the fact this explanation of current socialism can conceal problems within classical socialist structures. We believe that the development of farmers markets and similar market measures is caused by the insufficient economy of classical socialism, and that system's unbalanced ration programs. Our first assumption is that when considering the contextuality of the classical socialist system, there is no possibility for the existence of farmers' markets.

Of course, another reason for change is the new operating order as socialist economy, and talk of active farmers' marketing plans around. While an economy may be insufficient, it does not worsen the economic crisis. Thus, dissimulation of the measure does not move toward pro-socialist ideas, and as the bureaucratic system can maintain its justification for power, then the measure facing the transition from the classical socialist system do not necessarily have

a solid in perception. The existence of legal markets within the classical socialist system increases the level of markets, and this can directly affect a solid in perception of those operating under the system.

The economic structure employed in the DPRK is insufficient. From 1952 to the 1970s this system, and the selective ration system in operation because it, upholds the existence of farmers' markets, but the markets never grew because North Korea did not face any serious economic crises. In accordance with DPRK official ideology, farmers' markets are a function of socialist commerce. However, official ideology was able to employ measures to enforce an anti-market

ideology.

However, as 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 socialism. 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 underpinnings of North's citizens during some level of autonomy.

Until at least the early part of the 1980s, North Korea's 'bureaucratic 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 those supplementary systems

both did not work successfully, they created a sense vulnerability with the planned sector.

After the socialist restructuring authorities saw it that there was no chance of a revival of the idea of those outside of the agricultural realm selling at markets. In anticipation of a rioter from traders, in 1986 the authorities created joint cooperative trade groups in cities and farming communities, and in 1987 combined production and sales in the "Farming Communities' Family Workers and Businessmen," gradually expanding this group of cooperative producers.

Following that, with the official announcement of the socialist reorganization in 1993, these groups were completely incorporated into the planned system as they transformed into cooperative production and consumer groups. Even up until the 1970s, it was practically impossible to find products 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 responded, and functioned reasonably effectively.

In order to respond easily to the farmers' markets, authorities decided to seize goods that had the potential to be delivered to the markets. This was because even up until after the Korean War, individual products were not just satisfied with getting into the goods business, but individuals wanted to get into the business of selling daily-use items were procuring the necessary raw material by forming individual relationships with farm workers. This drove the State to strengthen and expand operation in order to bring individual farmers under the umbrella of the farming cooperatives. In 1957 the subject of selling from cooperative farms was addressed and the subject of agricultural products, with the exception of some daily necessities, was carried out by the state through the state purchasing mechanism and cooperative trade groups. By taking hold of the production base, the North Korean authorities were able to control both

the volume and type of goods that were sold in the farmers' markets. It followed that the sale of agricultural goods that were on the required purchase list was forbidden, and this could be seen as one measure restricting the participation of city residents in farmers' markets. Authorities reinforced the volume structure by

replacing the market's central distribution function with a food rationing system based on state-allocated prices. In 1986, DPRK authorities established a foodstuff 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 implementing a state rationing system for all citizens except farm

workers, the State was able to limit the participation of city residents in farmers' markets.

The Weakening Rationing System and Citizens' Empirical Realization

The DPRK's official economic production had come under pressure for a number of reasons since 1960. These factors pertained to tensions within the North's economic management system. This can be seen, for example, in the North's discussions 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 Korean 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, in contrast to the previous system, children's supplements began to be redistributed 'voluntarily according to age'. Also, additional reductions were in incurred under the flag of rationalization so that at the end of the 1970s, one month's worth of rations had been reduced by 16.15 percent. This time also saw the ration system in rural cities supplying food once every two or three days, and as the early 1970s saw the emergence of markets to fill in for the food

ration.

During the mid 1970s the changes to the rations for city laborers' household necessities were not insignificant. The authorities had already established the sale of non-foodstuffs in 1967, however in 1974 they broadened the list of products not available 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 necessities.

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 or 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 found no particular reason to be food short, but for the ordinary, non-food items and clothing had to be purchased, and cash was short at hand.

On the other hand, within those in the government stores, food shortages at the end of the 1960s eased more than a little difficulty. For example, those households on collective farms on the outskirts of the city found it difficult to live by on only what was provided by the ration system. In addition, death was striking more of those urban laborers living in households with by purchasing

supplies from within the neighborhood.

However, the government's food supplies and industrial products became more difficult for the average citizen to obtain. Say, because, changing Korean people made with any bean, 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,

After the introduction of the rationing system for food and other production uses at the end of the 1960s, the amount of unregulated 'sideline' activity going on in cities decreased, and did the selling of Chinese goods and illegal 3-prod, which had to be spread in black markets. Still, farmers' markets played only a peripheral role in the consumer lives of most of the people. Several causal factors are evident here. Primarily, even up until the end of the 1980s, physical

difficulties from state rationing did not face any severe difficulties as a result of the crackdown in the ration system. Compared to the 1970s, certain assets and assets were more difficult to come across in the state-run stores during the 1970s, so state-run 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, some difficulties did face the rationing of the national ration system as the reason for supply being on the edge of poverty. Also, goods and other things difficult to find at state stores, such as cooking oil, pork, and mackerel, or heavy items such as alcohol and tobacco, were occasionally received as 'gifts' on certain state holidays, and those supplied as small amount of supplementary support. This is not to say that during the 1960s and 1970s there was not some side work undertaken by those looking to improve their conditions or meet certain goals. Women, for example, could earn additional income by working at a factory or enterprise's semi-workshop party or cooperative.

Up until the end of the 1970s, independent shops operated legally within the unregulated sector, and had very little connection with the farmers' markets. The consumption crisis was not directly related to the emergence of the food ration system whose weakening is chipping away at the binding power of this anti-market ideology.

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Conclusion

North Korea completed collectivization of farms and private industries in 1955, 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 the fact that the government officially affirmed the legality of 'limited use' of markets, the use of state distribution systems for food stuffs and daily necessities - a system that, however unable to deliver the necessary amounts, was able to supply rations steadily.

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 in the sale 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 same factors that played a role in the 1970s continued to see to 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 operated within the farmers' markets. There are several factors behind this as well. 1) At a time when by the state distribution center continued to weaken, and the farmers' markets previously pushed to the markets of the planned economy were as a tool for supporting one's livelihood, as well as that of goods from factories could be traded for food or supplies as a barter system developed; 2)

Since the middle of the decade, 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 avoid the illegal distribution of these goods, just as the illegal distribution of grain was underway in farming regions, leading to the reemergence of black market traders. It goes without saying that the government decided to strictly clamp down on these activities.

The mid- to late 80s saw the rise in government regulations while at the same time, saw the emergence of black markets increase their importance. The providing factors over the sideline activities 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, would together have no significant influence over the emergence of markets and market economies. We will have to wait and see how the latest reversal in policy is seen by the authorities of North Korea.

III. Nautilus Institute Essay Responses

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