

FROM SOCIALISM TO CONSUMERISM: THE RISE OF CAPITALIST VALUES IN NORTH KOREA

*Daniel J. Schwegendiek**

Academy of East Asian Studies, Sungkyunkwan University,
25-2 Sungkyunkwan-ro, Jongno-gu, Seoul 03063, Republic of Korea
E-mail: danjosch@skku.edu

*Sijia Xu***

Academy of East Asian Studies, Sungkyunkwan University,
25-2 Sungkyunkwan-ro, Jongno-gu, Seoul 03063, Republic of Korea
E-mail: xuxu@skku.edu

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ABSTRACT

Ever since the famine of the 1990s, socialist North Korea has experienced a dramatic rise in black and grey markets as people seek a way out of the crisis. While previous studies have focused on the “old generation” of North Koreans engaging in the markets as producers and traders catering to the emerging subsistence economy, the “new generation” remains largely understudied. This “new generation” of North Koreans, who have spent their formative teenage years in post-famine North Korea, have experienced the markets as a commonplace, and hence had developed a sense for consumerism earlier than their parents’ generation did. Drawing on oral history interviews with five female refugees raised in different regions in North Korea during their formative years, this study found that the “new generation” of North Koreans has become more capitalist than their counterparts in market-oriented South Korea or even those in the United States, North Korea’s archenemy. Some implications of this shift in values are discussed at the end of this research.

Keywords: Capitalism, consumerism, DPRK, famine, informal economy

INTRODUCTION

Despite the collapse of the Soviet Union in the 1990s, the Democratic People's Republic of Korea (DPRK), widely known as North Korea, remains one of the last socialist bulwarks in the world. However, socioeconomic change has inevitably been underway in the “hermit kingdom.” Indeed, as the Soviet Union stopped providing subsidised technology and energy to North Korea toward the end of the Cold War, North Korea's inefficient economy began to disintegrate in the 1980s, triggering a great famine by the 1990s (Natsios 2001). This famine, in turn, accelerated the liberalisation of markets. The government granted manufacturers more freedom to fix bottlenecks and improve the quality and variety of their products. Indeed, like many other socialist command economies, North Korea was geared toward producing goods for the people in the republic in the Cold War era. This was in stark contrast to capitalist, American-influenced South Korea, promoting consumerism for the sake of innovation and economic growth (Hart 2001). Moreover, as the public distribution system collapsed in most areas of the DPRK in the wake of the famine, the state, in fact, tolerated market activities of private households, as the state itself was apparently no longer able to feed its 20 million people. In the end, the crisis of the 1990s resulted in the entire marketisation of the economy. Black and grey markets mushroomed during that time, and they continue to form the backbone of today's economy. Scholars have interchangeably applied terms such as “second economy” (Lankov and Kim 2008), “shadow economy” (Joo 2010), “informal economy” (Kim and Song 2008) or “hidden economy” (Dukalskis 2016) to describe the circumstance that North Korea's post-Cold War economy relies to a large extent on unofficial transactions in the markets.

The famine per se also led to a relaxation of travelling restrictions, resulting in both domestic and international migration. As people could move more easily in the wake of the crisis, a new border peddling class conducting unofficial trade with China has arisen. Along similar lines, a group of intra traders has emerged, benefitting from arbitrage by capitalising on the local price differences of goods inside the country. The collapse of the North Korean food supply system during the famine years has also resulted in a higher level of corruption among officials, including border guards and policemen, who can no longer be fed by the government. In essence, bribes have opened another avenue to unofficially cross the Sino-Korean border and to move goods or persons within North Korea without permission.

The rise of the markets in North Korea has been well studied from the producer side, that is, the supply side (Joo 2010; Kim and Song 2008). It has been suggested that people mostly supply goods in the markets illegally (Kim and Song 2008), and that large retail sellers (“big hands”) provide finished and unfished goods from abroad to the many urban wholesalers supplying the markets (Joo 2010). On the other hand, home produce such as food resulting from stockbreeding or garden farming is more often directly sold by locals, thus without a middleman (Kim and Song 2008). Moreover, Lankov and Kim (2008) suggest that goods sold or bartered in the markets are oftentimes stolen from state factories.

Another important finding regarding the black markets is that these are largely run by females. Women, and rarely men, are primarily engaging in the markets as producers and traders (Park 2011; Schwekendiek and Mercier 2016). Indeed, women have enjoyed more freedom of movement, have had more free time, as they are not tied up in the mandatory military draft and have not had official jobs assigned to them, and have been more willing to engage in the emerging light-industry-driven or lower-service-driven economy than their male counterparts (oftentimes trained as factory workers or farmers).

While the producer side has been well investigated, the rise of the corresponding consumer side, wherein teenagers in particular play an important role in driving the demand for consumer products, has been understudied. Along similar lines, since the state can no longer supply enough food and provide sufficient income for families, previous studies have focused on the “old generation” of the parents, who engage in the informal economy as the breadwinners within the household (Kim and Song 2008). However, there is not much scholarly study on the “new generation,” that is, of the children of the parents who were themselves the first to be raised under a *de facto* capitalist system – despite living in a socialist country. The “new generation” has actively been exposed to the markets from an early age on, including perhaps in their most formative period adolescence.

As foreign media and consumer products have been entering North Korea secretly through various channels since the famine, this new generation apparently adheres to completely new values, which has not gone unnoticed by the state. For instance, in the November 2017 edition of the *Rodong Sinmun*, the official newspaper of the Labour Party of North Korea, the capitalist threat was discussed in an article entitled “Let’s erase the imperialist ideology and cultural infiltration.” According to this article, “the first object in the ideological and cultural infiltration of imperialists is young people.” Having primarily experienced the informal markets, as opposed to a public distribution

system, the new generation of North Koreans seems to have lower loyalty to the socialist system, which threatens the power of the political elites.

While the North Korean government opposes the shift away from socialism for obvious reasons, some scholars also see the simultaneous overemphasis on capitalism as equally harmful, leading perhaps to a high prevalence of shopping addiction and consumption terror (Lange et al. 2005). However, while capitalism does have negative effects on the lifestyles of people and inevitably creates losers within the system, the past and present rise of capitalism has an important bearing on the future. Should reunification with South Korea eventually occur, North Koreans will be much better prepared to address the challenges and side effects of a capitalist system than the East Germans were in 1989. While East Germans wanted to enjoy the benefits of freedom and the consumerism of the West, they also wanted to keep the socialist safety net of the East (Jung et al. 1996). Lacking any genuine experience with a market economy and a capitalist system prior to reunification, the vast majority of East Germans quickly became disappointed with the Western system, to the extent that many even wanted to have the “iron curtain” back. Accordingly, a discussion on the rise of capitalist values among the new generation of North Koreans is in order. German reunification demonstrated unequivocally that a reunified populace needs to find common ground, not only geographically and politically but also with respect to cultural values.

UNDERSTANDING NORTH KOREA’S TRANSITION ECONOMY

The Industrial Revolution mainly produced two systems throughout the 19th and 20th centuries: capitalism and communism. As seen in Table 1, a capitalist system is typically characterised by free markets, individual entrepreneurs, open recruitment and consumerist values. Capitalism and consumerism are in fact inseparable from each other. Entrepreneurs reinvest generated profits into the next generation of products while consumers enter a hedonic “treadmill” (Komlos 2014), resulting in the perpetuity of the consumption-production cycle. Hence, capitalism creates a feedback loop of technological innovation, making richer nations even richer and resulting in economic growth. On the other hand, communist systems are deadlocked over the long-term, as entrepreneurial initiatives and innovations are not rewarded.

Table 1: Communism vs. capitalism.

	Systems	
	Capitalism	Communism
Economy	Market economy	Planned economy
Ownership	Privately-owned corporations acting on their own risk	All corporations, retail stores, restaurants even recreation facilities established and owned by (and directed toward) the state
Target group	Production of goods for profits and directed toward the market (supply and demand)	Command economy where production is ordered by the state
Employment	Multiple employers and open recruitment	Sole monopolistic employer, important jobs under direct party administration
Entrepreneurship	Individual entrepreneurial initiative	State initiative
Industries	Light industry, consumer goods and services	Heavy industry
Markets	Open domestic market and international trade	Regulated domestic market and politically-based trade agreements
Investments	Private, unrestricted and uncoordinated investments	Public, restricted and coordinated investments
Values	Geared towards consumerist values	Geared toward proletarian values

Source: Schwekendiek (2016) adapted from Kim (1992)

A transition economy, such as that seen in contemporary North Korea, indicates an economy that is undergoing a fundamental transformation from a centrally-planned, communist system to a free-market, capitalist one. The economic transition that took place at the end of 20th century due to dissolution of the Easter Bloc was one of the most important events in world history, second only perhaps to the Industrial Revolution (Bergloef and Roland 2007). Indeed, similar to the Industrial Revolution, no other historical event had ever caused such fundamental structural changes that affected the global economy and society at all levels.

Byung-Yeon Kim, perhaps the leading transition economist on North Korea, as well as Gerald Roland, a prominent expert in the field of global transition economies, have previously discussed how North Korea can successfully transition from a communist to a capitalist system (Kim and Roland 2012). They concluded that the two most likely scenarios are either a revolutionary scenario (similar to East Germany), in which the current regime

collapses, or an evolutionary scenario (similar to China), in which the political monopoly of the communist party of North Korea is maintained while the economy gradually shifts to a free market system. The first scenario would require a lot of investment by South Korea, likely in the form of emergency aid or economic subsidies that incentivise entrepreneurs (while preventing human capital flight to the South). In the second scenario, individual capitalist incentives would unleash the “productive potential of millions of farmers, shopkeepers, and entrepreneurs of all sorts” in North Korea via policies such as financial subsidies and the establishment of basic institutions and rights (Kim and Roland 2012).

Strikingly, these successful scenarios rely on a compliant and incentivised work force as well as competitive entrepreneurs, both of which have emerged in North Korea since the great famine. Moreover, both scenarios include prerequisites such as industrial restructuring, de-collectivisation and privatisation, which have already been instituted to varying degrees in North Korea. However, Kim and Roland (2012) argue that the economic transitions of Eastern European countries, which were less successful than China’s, were focused too much on price signals in their newly-created free markets while neglecting relevant accompanying institutions such as property rights. The latter issue will be discussed at the end of this research.

The Historical Rise of Capitalism in (North) Korea

One of the main questions addressed by scholars in Korean studies has been: when were the seeds of capitalism sown in Korea? Contrary to the commonly held belief that the Korean peninsula was anti-capitalist during the Joseon Dynasty (1392–1910) for cultural reasons, Jun et al. (2013) argue that premodern Korean society already showed traits of capitalism, despite Confucianism being anti-commercial and the markets being suppressed by the king. In fact, in the 18th century, Korean merchants already practiced double-entry bookkeeping, which has been commonly understood as “the *sine qua non* of the rationality that created capitalism” (Jun et al. 2013). Then, again, another group of scholars claims that Japanese colonisation has, in fact, laid the foundation for the rise of capitalism on the Korean peninsula (Eckert 1991; Kohli 1994; McNamara 1990), although another camp also opposes this Japan-dependent view by highlighting an indigenous Korean side as the main driver of capitalism (Kim and Park 2008; Shin 2006). More importantly, these aforementioned studies have focused on the historical roots of capitalism in South Korea, though not so much on what those roots imply for

the rise of capitalism, as well as related consumerist patterns, in North Korea. Furthermore, as the North Korean state implemented a traditional command economy during the Cold War, one might seriously doubt that capitalism, which was (or was not) historically practiced by Koreans in the late Joseon Dynasty or under Japanese colonisation, had impacted North Korea at all.

In fact, the first earnest attempt to introduce a form of capitalist entrepreneurship inside North Korea dates back to 1984. On 3 August 1984, Kim Jong-il initiated the “August 3rd Consumer Goods Movement.” Private households (mostly housewives) were encouraged to utilise waste and scrap materials from the local heavy industry in order to produce light industrial goods such as utensils, cloth, shoes and furniture (Lee 2001). These goods could also be directly sold by locals, thus theoretically improving incentives for factory owners to increase production and improve innovation by bypassing the centralisation system. Though some 4,000 factories participated in the movement in the late 1980s, the facilities themselves were so worn-out that production was too limited and the factories simply could not “meet the popular demand” (Chong et al. 1995). Thus, although the August 3rd Consumer Goods Movement was greeted with much enthusiasm after decades of central planning and a ban on capitalism, overall side-line production remained small in scale due to the disastrous underproductivity of the main production facilities. More importantly, as the Soviet Union began to cut fraternal aid to North Korea in the late 1980s, focusing instead on its own reform programs (*glasnost* and *perestroika*), the mainstream economy in North Korea began to struggle, thereby initiating the overall economic demise of the country that, in turn, triggered the great famine in the 1990s.

During the famine, and as a result of the collapse of the public distribution system, the farmers’ markets, including the semi-official outdoor markets, rapidly expanded. In the past, farmers were allowed to sell nongrain produce in these grey markets as part of an attempt to curb the black markets that would have otherwise risen to extreme proportions. During the famine year, these markets transformed into *jangmadang* (market grounds), a form of black markets.

As late as 2002, the government officially acknowledged the rise of the market economy through the “July 1st Economic Measures.” However, as the markets became increasingly powerful in the mid-2000s, challenging the monopoly of the socialist party, restrictions were imposed, as was a currency reform implemented in the late 2000s. The latter was aimed at destroying the wealth accumulated by private traders and vendors. However, capitalism has been inevitably growing. In fact, the state can no longer provide enough

food and daily necessities to the masses, as it had been able to do during the Cold War thanks to fraternal assistance from the Soviet Union and its satellite states.

Indeed, previous research has emphasised that the real marketisation of North Korea took place during the famine years. Based on in-depth interviews with 20 North Koreans escaping to South Korea from 1994 to 1999, Rhee et al. (2000) confirm that in the late 1980s, the economy was worsening as Russia cut aid and that unofficial markets and smugglers took over by the 1990s, when the great famine hit the country. The study also found that durable consumer goods, such as TVs and refrigerators, were in short supply and among the most wanted household items. A similar (declassified) study conducted by the CIA, which was based on North Korean refugees and occasionally on foreign visitors, confirmed this (Hunter 1999). According to that study, perhaps less than 20 percent of families had a television and some one percent had a refrigerator during the Cold War era.

After conducting a large statistical survey among refugees experiencing the post famine period in North Korea, Kim and Song (2008) estimated that some 78 percent of the total household income was being generated in the informal economy through stockbreeding, private plot activities, street vending, smuggling and the like. However, most of these economic activities were driven by survival motives rather than resulting from a genuine shift to capitalism. Most of the refugees polled came from the Hamgyeong area in the Northeast of the DPRK.

Another study investigated the rise of capitalism and related consumerist patterns by analysing satellite images of the formal markets in North Korea (Silberstein 2015). As both legal and not-so-legal goods are traded in the formal markets, changes in the physical size of the market locations are somewhat indicative of the degree of marketisation and related consumerism. According to these satellite images, depending on the market location, the size of the markets increased by anywhere from 16 percent to 114 percent from the early 2000s to early 2010s. This suggests that a dramatic rise of consumer markets took place during that decade.

Drawing on haphazard samples from refugees and traders mostly from the northeastern DPRK, as well as occasionally from interviews with diplomats, the most recent account on the rise of capitalism and related consumption patterns was written by two British journalists (Tudor and Pearson 2015). They claim that North Korean society has by now completely shifted to capitalism, as evidenced by the finding that the “hermit kingdom” has been completely infiltrated by consumer goods in the form of foreign CDs

and DVDs, clothing or electronic appliances. The work of these journalists points to the permeable border to China as well as the increased corruption among officials as factors driving and facilitating the supply of consumer goods from abroad.

Notably, after two leading newspapers in South Korea, the *Dong-A Ilbo* and *Chosun Ilbo*, positively reviewed the Korean translation of the journalists' book, the South Korean journalists and editors involved were heavily criticised by North Korea for “seriously insulting the dignity of the DPRK with the use of dishonest contents” (Reuters 2017). This shows, first, that the rise of consumerism in North Korea is a “hot” topic since the very legitimacy of the socialist regime is at stake and second, that the North Korean government has indeed made a point by indirectly calling for more rigorous, “honest” studies on this phenomenon. In fact, the British journalists did not explain their research methodology and, like many other previous studies, often relied on haphazard samples consisting mainly of refugees hailing from the northeast area of the country.¹

DATE AND METHODOLOGY

This study utilises oral history interviews to tap into the vast knowledge held by the North Korean refugee population residing in South Korea. It is noteworthy that among all refugees who entered South Korea, nearly seven in ten are female (Schwekendiek 2010). As male respondents were generally difficult to find, let alone males from specific provinces within North Korea, this study focused on how females experienced consumerism inside North Korea.²

To limit haphazard sampling, the result of which would have left us with the vast majority of participants coming from the Hamgyeong area in the Northeast, the current study employs regional quota sampling by trying to find as many refugees from different provinces as possible. As seen in Figure 1, out of the ten official administrative provinces (South Hwanghae, North Hwanghae, Gangwon, Pyeongyang, South Pyeongan, North Pyeongan, Jagang, Ryanggang, South Hamgyeong, and North Hamgyeong), refugees from five different administrative provinces (Gangwon, North Hamgyeong, Ryanggang, Pyeongyang, North Hwanghae and North Hamgyeong) were sampled (Table 2). Though refugees from the remaining five provinces could not be found, all of the geographic regions are broadly represented in our study, including the north (Ryanggang), south (Gangwon), west (North Hwanghae),

and east (North Hamgyeong) and the capital, Pyeongyang. All respondents resided in South Korea at the time of the interview and experienced the rise of consumerism around the post famine era of the early 2000s as teenagers. As such, they can provide first-hand oral historical evidence on life in North Korea.

The interviews were conducted orally and face-to-face in the Korean language in South Korea throughout 2017. All respondents were assured of their anonymity and their interview transcripts and recordings were later stored in safe places. All of the respondents were informed of the purpose of this study, and all agreed to let us use their statements as a central part of this research. The respondents completed a semi structured questionnaire comprising mostly open-ended questions as well as a few close-ended questions. The questionnaire contained the following broad modules: social status, regional factors, infrastructure, market experience, idealism and identity, durable consumer goods, nondurable consumer goods, and experience with authorities. Respondents were asked to only reflect on their experiences as teenagers inside North Korea (unless otherwise indicated), thereby focusing on the critical period of the early 2000s, when North Korea's economy started to revivify after the height of the famine in the 1990s. No time limits were set, and respondents were allowed to skip questions at any time for any reason. However, all of the respondents answered all of the questions (with the exception of contingency questions). The average length of interviews ranged from 48 to 58 minutes, with a mean of about 54 minutes (Table 2). All interviews were recorded electronically and later transcribed verbatim. Some light editing was performed to improve the flow of sentences, though the final product still followed the original wording as closely as possible. All translations shown in the present study were performed by the authors behind this study, and the Revised Romanisation of Korean system was applied to transcribe specific Korean terms, as well as all Korean references, into English.

Major shortcomings in the sampling design are definitely the low sample sizes per region. While it was very easy to find dozens if not hundreds of possible interviewees from the Hamgyeong area, representing the main sending region in North Korea, we had to postpone this study for several months as we could only find respondents from two other provinces. In the end, five regions are represented, but even after asking the five respondents to invite other friends or family members who might have made it to South Korea, we could not find any more possible interviewees from the same region let alone from other regions. The results of this study should thus be taken

with great caution, as other North Koreans might have experienced the rise of the markets differently. Future research will have to extend the analysis to regions left out in this study, as well as sample more respondents per region. Also needed are oral history interviews with male respondents, which are, as discussed above, completely left out here.

Table 2: Profile of respondents.

Name	Residence in North Korea	Birth period	Exit period	Method and location of interview	Length of interview
Refugee A	Ryganggang	Early 1990s	Early 2010s	Face-to-face in South Korea	55 minutes
Refugee B	North Hamgyeong	Late 1980s	Early 2010s	Face-to-face in South Korea	48 minutes
Refugee C	Pyeongyang	Early 1990s	Early 2010s	Face-to-face in South Korea	51 minutes
Refugee D	North Hwanghae	Late 1980s	Early 2010s	Face-to-face in South Korea	58 minutes
Refugee E	Gangwon	Early 1990s	Early 2010s	Face-to-face in South Korea	56 minutes

Notes: As this study employs the Revised Romanisation of Korean system, “Pyeongyang,” as opposed to the more common form “Pyongyang,” was used for the sake of consistency



Figure 1: Provinces in North Korea and respondents’ former places of residence.

THE RISE OF THE MARKET

The Collapse of the Public Distribution System

Ever since the division of the Korean peninsula into two halves, the distribution system in North Korea has been the main means for managing and controlling consumers' lives through their food and basic necessities. All in all, the state offers these daily necessities free of charge. However, the distribution system had not been operating normally since the 1990s due to severe food shortages. During that time period, food distribution near the northern border was often halted for several months, and starvation generally followed. Refugee A from Ryanggang and Refugee B from North Hamgyeong Province, both of which regions border China, described the local distribution situation during their adolescent years as follows:

When I was a teenager, I hardly remember receiving from the public distribution system. We only received a little bit during festivals... It was the toughest period for the North Korea economy, commonly known as *gonanui haenggun* (the Arduous March). (Respondent A, Ryanggang Province)

We just received food distribution once a month, but it is not possible at all live on that. (Respondent B, North Hamgyeong Province)

These refugees further confirmed that from the end of the 1990s to the beginning of the year 2000, people could not survive if they only relied on the public distribution system. However, the respondent from North Hwanghae Province, the bread-basket of the nation, as well as the interviewee from Pyongyang, where the nation's elites reside, said that the public distribution system remained intact in the 1990s. However, as the food received was often inferior in quality, living standards noticeably declined, and people began to supplement their diet with foodstuff from the markets. Note that the reason for this regional difference is likely "triage" (Natsios 2001), according to which the politically less-significant provinces in the eastern DPRK were cut off from the public supply to ensure the survival of the politically more important residents in the western part of the country, including the capital.

As mentioned in the previous research, the North Korean distribution system has been greatly reduced in its function since the famine. It should be noted that the public distribution system has not been abolished but, even after the new, reform-minded leader Kim Jong-un came to power in 2011, the system is still operational, with rations having even gradually increased

in recent years (Kim et al. 2014). However, as nearly 8 in 10 North Korean households source their food primarily from the black and grey markets (Kim and Song 2008), the public distribution system no longer plays as dominant role as it did during the Cold War.

Participating in the *Jangmadang*

Jangmadang can be spotted easily at busy intersections of residential streets in rural towns (Tudor and Pearson 2015). After the announcement of Kim Jong-il's *seongun* politics (military first) in 1995, as the economy collapsed and distribution was interrupted, the *jangmadang* expanded rapidly. In the wake of the 1 July 2002 reforms, North Korean authorities officially changed the economic managing system. In March 2003, the existing farmers markets were further expanded and reorganised into comprehensive markets, newly allowing the trade of industrial products alongside the agricultural and marine products traditionally bought and sold there.

The rapid development of the markets was confirmed in the oral history interviews. All of the respondents claimed in the interviews that 70–100 percent of their household income was sourced from the markets during their teenage years. Similarly, all respondents in the present study said that the main form of informal economic activity in their region was engaging in the *jangmadang*. Respondent B from Ryanggang Province explains that nearly all daily necessities are sourced from the markets in her home town:

Because what we hand over to the state is more than what the state gives us back... We need 20 kg of grain rations to live for a month. The state does not give us 20 kg but distributes as little as only 2–3 kg. (Respondent A, Ryanggang Province)

Another respondent described this issue as follows:

Our household income was almost completely earned through the *jangmadang*. (What percent?) About 90 percent? Most of it. (Refugee B, North Hamgyeong Province)

Despite still receiving food rations, even privileged residents in Pyeongyang, the capital, increasingly relied on the informal markets, as noted by a resident from there,

To sustain their livelihood, everyone depends on the markets. (Respondent C, Pyeongyang)

While the (then teenage) respondents in the interviews had never actively sold anything in the *jangmadang* on their own, they often assisted their parents or older friends engaging in the informal economy to make ends meet:

When there was something in our home (we could sell), my mother went out to sell it. I walked with her because there were a lot of *kkotjebi* (homeless children) in the markets who stole things. So I kept guard over the goods next to mother... or do the same for my friends. Or if a friend was about to sell stuff in the countryside, I would also help out. It is a natural thing for young people to go to *jangmadang*. (Respondent D, North Hwanghae Province)

As seen from these responses, the markets have become an integral part of the daily lives of young North Koreans. Without engaging in the markets, either as consumers or producers, people are not able to survive. While the state formally holds on to the public distribution system and keeps on paying (symbolic) salaries to the people in the name of socialism, families have learned that they are, in fact, on their own. Whereas the “old generation” learned about capitalism the hard way, by going through a great famine in the 1990s and finding ways to survive in the emerging subsistence economy, the “young generation” has now been completely raised under a *de facto* capitalist system, wherein those playing by the socialist rules are losing out. Correspondingly, one can expect that social values have likewise shifted away from loyalty to the country’s leaders, which defined their parents’ generation, to a new, emerging capitalist ideology in which “cash is king.” This discussion will be continued in the subsequent section.

The Sanctification of the Black Markets

Although the black markets have become an indispensable part of the people’s lives, we will first examine the “official” markets. In doing so, we can more easily understand why the shadow economy was tolerated initially and has risen so fast since then.

In fact, there were 482 official markets in North Korea in 2018, and at least 26 new markets have been built in North Korea since Kim Jong-un rose to power (Radio Free Asia 2018). The expansion of these official markets has led to a simultaneous expansion of businesses as suppliers to the official markets. Figure 2 depicts well-known official markets by the specific commodities traded in each.

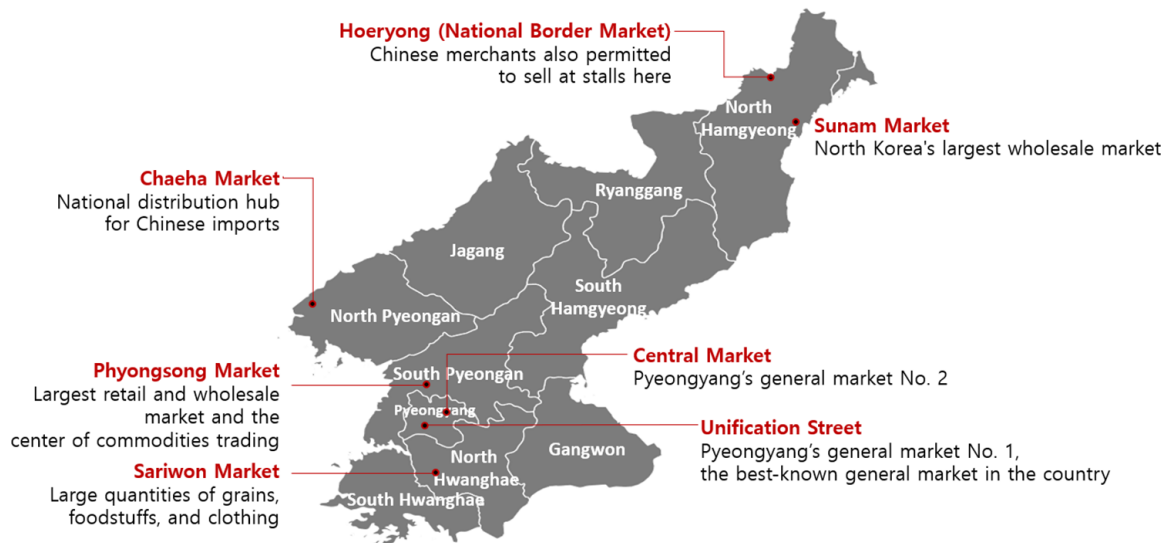


Figure 2: North Korea's official markets (source: adapted from Institute for Unification Education 2017, 2018).

In the interviews, all of the respondents said that there was an official market within walking distance of their home, just some 10–30 minutes away. Commodities sold in the official markets include both nondurable daily necessities such as foodstuffs and clothing and durable goods ranging from household products to consumer electronics and industrial goods. These official markets are generally very large in size and have a roof, and the goods are neatly and clearly displayed. The products sold in the official markets are sometimes made in North Korea, Japan and Southeast Asia, yet the overwhelming bulk of goods are made in China.

One respondent described these official markets as follows:

They sell industrial goods, electronics, and food... It is a normal market (not on the street) and has a big fence, stores and roof... It is not open all the time or every day. In the summer, for example, in June and July, the (official) markets are not allowed to open, as people should do farm work instead and help out in the countryside. Also, (even if the official markets are open), in many cases, they only open after 2 PM. Or officials designate the 1st, 11th, 21st and 31st of every month as “market day,” on which markets are allowed to open in the morning. (Respondent A, Ryanggang Province)

Indeed, when the markets became too powerful in the mid-2000s, the government imposed various measures to curb the informal economy (U.-C. Yang 2010), including ordering markets to open up only every 10 days, introducing minimum age requirements for traders, and limiting the mobility of women (as they represent the majority of the traders, as discussed above) by forbidding them to ride bicycles. Yet none of these measures have prevented the markets from spreading (U.-C. Yang 2010) due to the presence of rampant corruption and the bankrupt state's inability to offer alternatives.

As opposed to the official markets, *jangmadang* have formed spontaneously outside of government control. One can easily spot street vendors selling processed food, vegetables and fruits near the official markets. The “moral police” (*gyuchaldae*) sometimes cracks down on these illegal marketplaces that are right next to official markets. However, most police officers turn a blind eye to these sellers. As discussed above, black markets spread as the economy declined in the 1980s, and this process accelerated during the great famine of the 1990s, when the *jangmadang* transformed into large grey markets, blurring the lines between legal and illegal.

The respondents confirmed that the type of goods traded in the official markets did not truly differ from those in the unofficial markets. At the same time, facing a national crisis, the suppliers of the goods sold in the official markets were not questioned about the legality of their products or their methods of acquisition. In the end, as even the official markets were flooded with illegal or questionable products, the government indirectly started to tolerate the black markets (M. Yang 2010). In essence, the latter sold the same goods on the street that the official markets sold anyway. One respondent explained the difference between illegal and legal markets as a mere technicality:

(Markets) must have a large market place to be called (official) markets. But there are many people who sell (the same) goods by opening small marts at home. Such people exist in almost every neighbourhood... Some sell food, some sell industrial goods, and some sell electronic products. Basically, anything people need in their daily lives is sold in these markets... The price is almost the same. (Respondent A, Ryanggang)

In the transportation sector, the substantial rise of informal markets can also be seen through the rise of “service-cars” and the popularity of bicycles. Although the roads of North Korea are in very poor condition, vehicles called “service cars” have become an important means of transporting people and

goods since the mid-2000s. The rapid rise in the demand for “service-cars” is closely related to the increase in intra-trade markets between rural and urban areas (Ijuin 2016). Officially, private car ownership does not exist in socialist North Korea. However, buses and trucks owned by state agencies or state enterprises are (mis)used by employees as “service cars” to transport goods for private citizens, oftentimes including professional traders and retailers, as confirmed by respondent E, who occasionally sold tickets for an intercity bus line operated by one of her relatives. While “service cars” are used by traders and suppliers to cross larger distances or to transport goods in large quantities, by far the most common means of transportation for the countless small traders is bicycles. Bicycles are commonly used by women (representing the bulk of small-scale traders) to carry goods from factories or from private farming plots to the *jangmadang* (Schwekendiek and Mercier 2016).

The fashion industry has benefitted perhaps the most from the rise of the markets. Fashion, in a broader sense, pertains to a popular lifestyle that includes clothing, footwear, accessories and cosmetics. North Koreans have long been portrayed by the foreign media as brainwashed followers, but based on the present interviews, it seems that the North Korean women of the younger generation share the same enthusiasm for fashion as their peers around the world. As the economy became revitalised in the 2000s, new fashion trends emerged, often fuelled through the influx of smuggled media imports such as DVDs that became easily available in the *jangmadang* (Tudor and Pearson 2015).

Andrew Nahm, one of the few Western scholars visiting the DPRK during the peak of the Cold War, reported that he “saw no women wearing Western dresses” during his visit in the 1970s (Nahm 1978). Until the 1980s, men’s clothes, such as work clothes and suits, were primarily supplied through state-owned shops, while women were encouraged to wear Korean costumes and a light-coloured two-piece dress. For many decades, Kim Il-Sung’s mother, Gang Ban-seok (also transcribed as Kang Ban Sok), often served as a role model in North Korean propaganda by wearing a traditional Korean dress, thereby reinforcing the ideal of a “purely Korean, selfless mother” (Dalton and Jung 2016). The government itself promoted clothes made out of vinalon, a chemical fabric that was invented by a North Korean scientist. However, as vinalon is difficult to dye and shrinks easily, vinalon clothes are often grey and stiff—therefore anything but fashionable—and are thus replaced by nylon in the rest of the world. In the 1990s, during the “Arduous March,” clothing imports from China and other countries began to increase sharply. In particular, female’s fashion underwent dramatic changes during that period.

According to the respondents, North Korean females generally do not appreciate the clothes made in North Korea, as they are of “poor quality” or are “outdated designs.” Instead, respondents preferred imported clothes, most of which were made in China or Japan.

The ranking in North Korea is as follows: (clothes from) South Korea and Japan are the best, and Chinese clothes are better than North Korean clothes. North Korean clothes are the worst. (Respondent E, Gangwon Province)

Professional traders supply the markets in North Korea with goods from abroad. Port cities such as Chongjin and Wonsan, which are geographically close to Japan, have received tons of clothes from Japan by boat. Young Koreans can thus pick among several designs and nations of origin for their clothing. Virtually everything made in North Korea is undesirable. Although Japan, as a former coloniser of the Korean peninsula (1910–1945), ranks alongside the United States as the nation’s archenemy due to the Korean War (1950–1953), Japanese and American products are the most sought-after (Tudor and Pearson 2015). Although trade was suspended in 2006 due to political conflicts between North Korea and Japan, smuggled Japanese and foreign clothes do end up all over the country, often through the semi open border between China and North Korea.

As previously mentioned, the supply of media products in the markets has changed fashion preferences inside the DPRK.

Fashion shifted to South Korean styles, Chinese styles or “capitalist” styles if you want. For example, (North Korean guys admire) a man wearing a leather jacket while riding a motorcycle... just like that guy in a previous South Korean soap opera. I think that men have emulated such fashion trends a lot. We are often also influenced by Chinese soap operas... Once we see the kind of hair style and clothes (in the soap operas), these clothes will be in high demand. Because people ask for it, (traders) will import it. Through this kind of media, I think I’ve followed fashion trends from South Korean or Chinese dramas. (Respondent C, Pyeongyang)

Notably, not all foreign soap operas are illegal in North Korea. For instance, North Korean public television does broadcast Chinese dramas, meaning people can watch them without penalty. However, nearly all movies and dramas from South Korea and other “Westernised” countries are only sold illegally in the markets, in the past on DVDs and nowadays on USB sticks.

According to the respondents, fashion trends changed in the late 2000s, when men began to change their hairstyles and women suddenly started to prefer tight skirts and high heels. Retailers and smugglers, observing the changing preferences in fashion, then proceeded to resupply the market. As one respondent put it:

We watch South Korean and Chinese soap operas and just want to follow their fashion... There are clothes that are fashionable in China, and (traders) bring such clothes to North Korea. Guys usually imitate the hairstyle of the star in their favourite soap opera. (Respondent B, North Hamgyeong Province)

It should not be left unsaid that wearing foreign fashion is strictly forbidden by the regime. The aforementioned *gyuchaldae* also enforces a public dress code. Members of the “moral police” include not only security officers but also regular students or middle-aged women serving as government informants. These “moral police” monitor whether people’s clothing violates the public regulations. If so, they report this to school authorities or employers, who, in turn, are expected to punish the violator. However, despite the explicit regulations, young people continue to wear foreign clothes. Ironically enough, members of the “moral police” are themselves bound by no moral restrictions:

When I was arrested, I bribed them... They busted me when I wore slightly tight trousers and my hair was permed... If you resist, you will be taken away. (Respondent E, Gangwon Province)

Beyond clothes, young people’s pursuit of fashion is also reflected in the rising demand for new cosmetics. As black markets have risen, many foreign products such as sun cream, lotions, foundations, and mascara have become available to average North Korean women. For example, foreign cosmetics, which are secretly imported from China, sell very rapidly in North Korea’s black markets:

I used cream, foundation, BB cream, and so on. People generally use these kinds of cosmetics. New brands or designs come in often and so do luxurious cosmetics. (Respondent D, North Hwanghae Province)

Interestingly, being seen in public with a fashionable female has nowadays become a status symbol of the “new rich,” perhaps on par with owning a fridge or air conditioner as in the past, yet much more perceptible (Dalton and Jung 2016).

The respondents also pointed out that the fashion boom is largely driven by the “young generation.” For example, only young and unmarried women demand cosmetics, while married women, including the many female traders encountered in the markets, are commonly not wearing any makeup at all. While those in the “old generation” engage in the *jangmadang* primarily as producers and as household breadwinners, those in the “new generation” experience the markets as a place to satisfy their desires as consumers. The gap in social values across generations has apparently widened significantly at this point.

PARADIGMATIC CHANGE TO CAPITALIST VALUES

As previously observed, *jangmadang* have become commonplace in North Korea. All of the respondents have witnessed how their parents and friends engage in the capitalist market economy while the state turns a blind eye to these activities. Whereas the “old generation” worshipped and thanked the socialist leadership for providing for them through an intact public distribution system in the Cold War era, the “new generation” spent their formative years under a capitalist system, wherein primarily money and markets matter.

Respondents were asked about what they cherished as teenagers. All respondents (100 percent) agreed to the statement that “money is the best sign of a person’s success.” This result is even higher than that seen in South Korea, which already ranked first among all countries polled. Though only five respondents from North Korea were interviewed in this study, this nevertheless clearly indicates that capitalist values are widespread inside North Korean society. In a sense, North Korea is nowadays ironically more capitalist than South Korea (where 7 in 10 agree about the importance of money in indicating success), which, in turn, even surpasses the United States (1 in 3 agreeing that money indicates success), North Korea’s ideological archenemy.

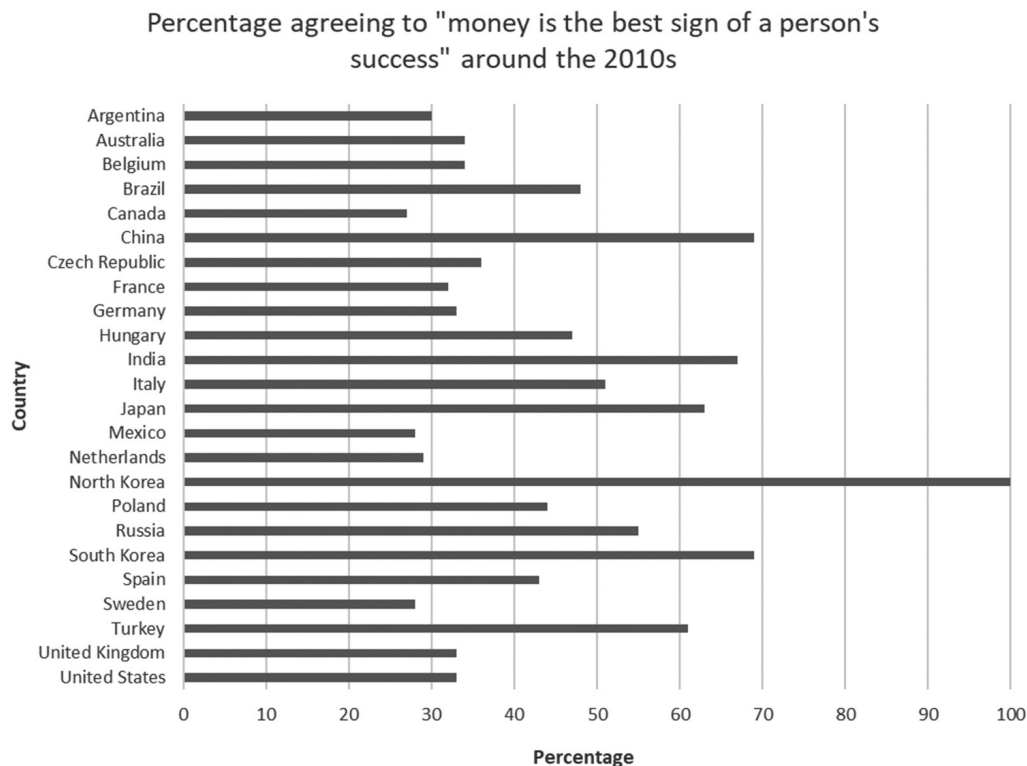


Figure 3: Prevalence of capitalist values in the world (source: Thomson Reuters 2010 and this study). Notes: Except for North Korea, the nations shown here (represented by at least 1,000 random respondents) were selected by the surveyors based on the fact that they represent 75 percent of the world's GDP).

Respondents described the importance of money and how it is linked to the *jangmadang*, as follows:

It is all about money. People seem to live for money. The reason why people go working in the markets is because of money. In order to eat and live, you must have money to buy goods. So, money is everything. (Respondent D, North Hwanghae Province)

One respondent explains quite well why financial resources are more important than personal political networks nowadays:

Money takes precedence over political power. For example, look at all these illegal activities. If you are caught selling something that you are not allowed to sell in the markets, you will be released if you pay... Walking down the street, you will see (people wearing) Kim Il-sung and Kim Jong-il badges. If you are caught without badges, you can pay and then you will be treated as if there was no infraction. At that time, I myself thought that money was more important than political power. (Respondent C, Pyeongyang)

Another respondent also elaborated on how money even impacts North Korea's current education system. While in the past, only students from the most loyal families with a "clean" background were allowed to go to college, money has now become a primary criterion both to enter and to graduate:

If you have money, you can buy a diploma. (I stopped going to college) because of money. Without money, you cannot go to college. Many of my friends dropped out of college for the same reason, too. Although there are no tuition fees, people in charge will demand money from the students in the name of "road repairs" or the "construction of power plants." It is hard to pay these fees on a regular basis, so many students give up. (Respondent E, Gangwon Province)

Not only has the nation's college system become susceptible to corruption, lower education is plagued by the same disease. When asked what her "dream job" had been when she was a teenager, Respondent D replied that she wanted to become a teacher—but not for idealistic reasons:

Once I became a teacher, I could ask my students' parents to help their children perform well in school. (By bribing you?) Yes, that part is economically very helpful and at least I would not starve to death. (Respondent D, North Hwanghae Province)

Though respondents used to cherish money over everything when it came to their own career, they tended to prefer to marry somebody who sat at the intersection of political power and the *jangmadang*, such as security officers and policemen. Indeed, similar to the position of teachers mentioned above, security officials and policemen can ensure the survival of their family using bribes they indirectly receive or directly demand. However, what is more, they can also protect their wives when they engage in illegal market activities. Respondent C explains this idea as follows:

My "dream husband" should graduate from college, finish the military service, have a house and a lot of money... His job should be a policeman. If he is a policeman, he will have political power to help me (if I happen to get arrested) when I make money. (Respondent C, Pyeongyang)

As previously mentioned, authorities do crack down on the markets every now and then. Hence, it makes perfect sense for some North Korean women to have a husband who is a partner-in-crime in the government. Interestingly, men from the capital Pyeongyang were once considered to be the most

desired bachelors (NKHR 2005). Residing in the capital once equalled having political power because it granted access to better food, medicine and houses. However, as power has shifted from political elites to traders as well to those controlling the traders, social preferences, such as what constitutes a “dream husband,” have changed accordingly.

CONCLUDING REMARKS

North Korea’s “new generation” of women, who were raised in a *de facto* market economy, played both an active role in driving the consumerism phenomenon while also being passively, and on a personal level, exposed to emerging consumption patterns. The “new generation” of women in North Korea, who spent their teenage years in North Korea at the end of the famine, have experienced the markets as a commonplace part of society, and hence, they developed a sense for markets earlier than their parents’ generation did. They experienced a rapid expansion of the markets, including both official and unofficial markets, as well as private entrepreneurship in North Korea. While they were too young to actively engage in the reviving post famine market economy in their teenage years, they will represent the backbone of the North Korean economy for many decades to come. They also witnessed the failure of socialism and have ardently embraced capitalism, which developed as a way out of the crisis in the 1990s. Based on oral history interviews with five women from different areas, this research found that the new generation of North Korean women has become more capitalist than those in market-oriented South Korea or even their archenemy, the United States, which is often singled out as the most capitalist nation in the world.

From a wider academic perspective, this study also provides evidence that counters previous reports claiming that “things in North Korea have much to the astonishment of everyone on the outside stayed almost exactly the same” (Kim and Jaffe 2010) as well as reports portraying the DPRK as a “land that never changes” (Chong et al. 1995). This study suggests that a massive transformation ranging from de-industrialisation to the rise of lower service industries is already underway in North Korea – in turn, leading to paradigmatic changes in living standards and lifestyles of the people.

This research also demonstrates that North Korea is no longer the “hermit kingdom,” as it is often described in the media. A completely new border peddler class has emerged, supplying the inland with goods from abroad, while tens of thousands of refugees have left the country to mostly China and South Korea since the 1990s, many of whom actively stay in

contact with family members at home through smuggled telephones. The marketisation of the North Korean economy inevitably has allowed an influx of new information through either word-of-mouth or illegally imported media products. While the average North Korean was completely isolated from the outside world during the Cold War era, the North Korean people are nowadays keenly aware that they are not living in “paradise” and that the capitalist system of South Korea has made it one of the richest nations in the world while their own system resulted in economic failure and famine. As a result, public support for the government has been waning. Indeed, the vast majority of North Koreans have expressed serious “dissatisfaction with a regime that is beginning to reassert state competence and control after the chaos of the famine era” (Chang et al. 2008). In this light, another natural disaster such as the massive floods in the mid-1990s, a sudden failed nuclear weapon test, or just a minor military revolt might actually provide the impetus for earlier than expected reunification, given the unpopularity of the socialist regime combined with the young generation’s admiration of capitalist lifestyles.

Lastly, this study shows that the two Koreas have been ideologically converging rather than diverging, as was the case during the Cold War, this way supporting the two successful transition economy scenarios of North Korea (Kim and Roland 2012). Massive transformations in North Korea, including shifts from heavy to light industrialisation and lower services, from political elites to entrepreneurs holding power, and from male to female breadwinners, have already been underway since the famine years. Employees and employers nowadays are familiar and experienced with capitalist principles, including all its strengths and weaknesses, despite living in an officially communist nation. This newfound capitalist experience may not only prevent another complete economic collapse such as the one in the 1990s but also facilitate reunification with the South, be it in a revolutionary or evolutionary manner. However, this research has shown that corruption at all levels is rampant in today’s North Korean society. The Eastern European economic transitions unexpectedly underperformed, as important institutions such as legal rights were not implemented at the same time. Foreign entrepreneurs, business partners and investors did not trust locals, as they did not know them on a personal level, legal rights were weak if not absent, and authorities could not be trusted on a public level (Kim and Roland 2012). Therefore, while the rise of capitalism might be seen as a *conditio sine qua non* to establish a successful market economy in North Korea, combatting the simultaneous rise of corruption culture at all levels inside North Korea will be a major challenge for political decision makers after reunification with the South.

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NOTES

- * Daniel Jong Schwekendiek is a scholar with interests in the socio-economic and bio-demographic histories of the two Koreas. He is an Associate Professor in the Academy of East Asian Studies at Sungkyunkwan University, South Korea and a Research Associate in the Unit for Biocultural Variation and Obesity at the University of Oxford, United Kingdom. His articles have appeared in leading field journals such as the *Economic History Review*, *Social Science and Medicine* and the *Population and Development Review*. He is the author of *A Socioeconomic History of North Korea* (McFarland, 2011) and *South Korea: A Socioeconomic Overview from the Past to Present* (Routledge, 2017; Transaction, 2016).
- ** Sijia Xu holds an MA in East Asian Studies from Sungkyunkwan University, South Korea. Her research interests include social, economic and humanitarian development in North Korea, where she also lived as an international student attending Kim Il-sung University in Pyongyang for a year. While completing her studies in South Korea, Sijia had worked as a student journalist for the Ministry of Unification of the Republic of Korea and volunteered at various Seoul-based NGOs promoting North Korean human rights. She is the corresponding author of the article *From Socialism to Consumerism: The Rise of Capitalist Values in North Korea* and can be reached at: xuxu@skku.edu.
- ¹ Performing a meta-analysis of studies conducted among North Korean refugees living in China or South Korea, 76–84 percent (about 8 in 10) North Koreans were from the two Hamgyeong provinces in the northeastern DPRK, where, in fact, only some 23 percent of the country's total population (about 1 in 4) actually live (Schwekendiek 2010). There are several reasons for this. First, Hamgyeong is adjacent to the Sino-Korean border, and this helps it facilitate cross-border trade and smuggling. Second, the area is close to the Korean-speaking population in China's Jilin Province, where many North Koreans find temporary work and ethnic networks before defecting to South Korea. Third, unlike in the northwest, the northeast shares a river border with China that can be relatively easily crossed (especially in the winter, when it freezes). Finally, the Hamgyeong region and Jilin Province share a common history of mutual aid. Starving Chinese spontaneously crossed the border to North Korea to obtain food from locals in the late 1950s during Mao's "Great Leap Forward" that resulted in perhaps the largest famine of the twentieth century. Similarly, local Chinese returned the favour for hungry North Koreans in the late 1990s during Kim Jong Il's "Arduous March." Hence, it is not surprising that previous studies drawing on refugees are primarily based only on North Koreans coming from the Hamgyeong region, as refugees from other areas have had more difficulty leaving the country because they lack information, transportation and networking opportunities.

- ² As discussed above, the main reason why fewer males have defected to South Korea are that younger men are tied up in the military for ten years, while older men have to show up every weekday at their assigned workplace, both of which makes the defection of males much more difficult. Considering that consumption patterns between males and females dramatically differs in the type and frequency of goods consumed, research on North Korean males is eagerly sought but impractical at this time.

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