State and Food in South Korea : moulding the national diet in wartime and beyond

Park, K.H.

Chapter Three

Beyond State Control: the Black Market

In the previous chapters, I have documented the state's institutional apparatuses devised to control food distribution. This chapter deals with the black market, a different aspect of the economic phenomena that emerged under the controlled economic system, and focuses on the drawbacks of state control and the invigorated underground economy that resulted from it.

The term black market covers all economic activities that involved attempts to avoid the state economic controls that were put in place to ensure a more adequate and equal distribution of scarce commodities and to prevent inflation, and the physical spaces where people engaged in such activities (Clinard 1952: 2; Griffiths 2002: 825). In research into the black market of wartime Japan, Scherer stated that 'the very moment the government pressed free-market flows into a rigid cast of fixed prices and controlled distribution, new channels circumventing the official ones evolved' (1999: 121). Even though the black market had unexpected consequences, which those in authority were anxious to suppress, its existence must be considered when examining the controlled structure of food distribution. As a 'mirror' of the actual implementation of state regulations and people's mundane struggle to live by avoiding the controls, an analysis of the black market significantly enhances our understanding of the whole operational mechanism of the controlled economy.

Although some studies have been carried out into food controls in Korea in the 1940s and 1950s, largely from the political economic and economic perspectives, thus far surprisingly little attention has been given to the black market.[122] This seems to be due to

[122] Except for the very few scholars who have focused on the black market as a research subject (i.e., Yi S. S. 2003a), the vast majority of researchers who have examined the economic perspective of colonial Korea go no further than providing several examples of black-marketeering. For example, in Kwŏn's 43-page chapter on the Japanese controlled wartime economy, less than two pages are devoted to dealing with the black-market activities of colonial Koreans. See Kwŏn P. T'.1984: 432, 444-445.

the lack of sources and systematic information on the black market. Owing to the hidden nature of criminal activities, it is difficult to extrapolate the scope of black marketeering and establish how it worked alongside the increasingly restrictive regulations.

The sources used for the study of the black market of colonial Korea in the first section of this chapter include official documents *Keiezai chian nippō* 経済治安日報 (Daily Rreport of Economic Security), edited by the Police Affairs Bureau, and the *Keizai jōhō* 経済情報 (Economic Information) reports, written by the Legal Affairs Bureau. Most of these documents were considered strictly confidential. They reveal individual cases of economic crime with detailed descriptions of people's criminal behaviours and the authorities' actions against such irregularities. This information was shared among government officials so that they could understand the context of economic crimes in order to help prevent them. The information revealed sheds useful light on the evasive aspects of the controlled economy of Japanese colonial government.

The majority of this chapter deals with black-market phenomena in colonial Korea, due to a lack of sufficient original material and the fragmented information found in the extremely limited preceding studies on the black market in post-colonial Korea. In addition to the lack of documentation regarding the black market, the dearth of research materials, especially economic statistics, for the initial years of liberated Korea is the greatest obstacle for researchers (Kim C. S. 2000: 87; Chu S. K. 1951: 53-55). Therefore, in my examination of the black market in post-colonial Korea which will be dealt with in the second section, I will document the roles of significant players who made great contributions to the invigorated black market in post-colonial society through a representation of their malpractices. Hopefully, by examining the black market, which was central to the daily life of the civilian population, this chapter will contribute to delineating the dynamic nature of mundane daily life under the framework of rigid state economic controls.

The Japanese Wartime Controlled Economy and Price Increases

> People could not survive without it [the black market]. I heard a story about a judge at Kanggyŏng District Court from my brother-in-law who worked for the post

> office in Kanggyŏng town. Out of the principle of obedience to the law as a judge, he divided his ration distribution into thirty packs since, if he ate it haphazardly, he might run short later on. Despite his thrifty efforts, the monthly ration only lasted 25 days. In the end, he had no choice but to buy the missing grain for a much higher price through an unofficial channel. It was definitely impossible to survive only on official rations.
>
> (Hŏ Y. N. 2006: 126)

Rationing and price controls were an integral part of the Japanese economic mobilization project throughout Japan's all-out war years, which began with the outbreak of the Sino-Japanese War in 1937. Theoretically, these control schemes were designed to achieve two goals, to combat high inflation and to ensure the adequate and even distribution of scarce resources, with the ultimate intention of maximizing the use of materials necessary for conducting a war (Bentley 1998: 19; Clinard 1952: 2). However, Japan's economic controls failed in both these aims, and eventually led to the creation of an invigorated black market in which things were traded at exorbitantly high prices to the detriment of the rationing system. Before discussing the black-market phenomena, I will begin by considering the construction of the wartime controlled economic system and the price control programmes that, along with rationing, accelerated wartime inflation and had a great influence upon the thriving black market.

With the outbreak of the Sino-Japanese War, Korea was designated as Japan's 'advance military supply base' and, through the development of its own industries, was to play an economic supporting role for the Japanese military forces in Manchuria (Eckert 1996: 12). With its top priority being to meet increasing military demands from Japan, massive industrialization projects were implemented in Korea. As part of these development projects, great efforts were devoted to the expansion of war-related industries. Total industrial production was valued at approximately 200 million *yen* in 1921, and was still less than 300 million *yen* a decade later, but by 1937, it had reached one billion *yen*, and had grown to two billion *yen* by 1943. While industrial production accounted for only fifteen per cent of Korea's total economic output in 1921, between 1936 and 1943, this grew to 40 per cent (Eckert 1996: 13).

Government efforts to concentrate the supply of imported raw materials in war-related industries were implemented with the promulgation of the Temporary Act on Imports and Exports (*Yushutsunyūhin tō ni kansuru rinji sochi ni kansuru hōritsu* 輸出入品等ニ関スル臨時措置ニ関スル法律) in September 1937. Despite the rapid industrialization, Korean industries were heavily dependent upon raw materials imported from Japan: 75 per cent of the 150 important materials needed in industry came from Japan (Kim, I. H. 2004: 151). From the latter half of the 1930s, however, their importation became increasing difficult. This was partly due to the expansion of heavy industry in Japan Proper in preparation for war,[123] but was also linked to the Japanese central government's difficulty in ensuring a stable supply of imported materials, owing to its international political situation.[124] In the context of decreasing material supplies from Japan, the colonial authorities in Korea had to take measures to ensure the preferential supply of deficit materials to munitions production. Initially declaring the state's controlling authority over the distribution of materials such as iron, steel, coal and heavy fuel oil, the power of the Temporary Act on Imports and Exports gradually expanded to cover a wider range of controlled materials. As of 1938, 32 kinds of industrial materials were allocated to meet, in order of priority, military demand, quasi-military demand, and civilian demand, under the control of the Governor-General (Kim, I. H. 2000: 338, 341-342).

The process of military-focused industrialization led to an overall decline in production for civilian consumption. This imbalance of supply and demand in civilian goods was the initial reason for the general rise in prices in Korea. Even though the predominance of light industries, such as those producing textiles, food, ceramics, lumber and printing, did not change after 1937, the majority of their production was shifted to meet specific war needs (Eckert 1996: 13). Even though the statistics show that

[123] The output of heavy industries (i.e., metal and metal refining, machinery, tools, shipbuilding, aircraft building and chemical production) in Japan Proper accounted for 73 per cent of total industrial output in 1942, while in 1930 it had accounted for just 38 per cent (Cohen 1949: 1).

[124] Japan antagonized the US and Britain by concluding a military alliance with Germany and Italy in 1937. As a series of sanctions were taken against Japan by the US and the British, Japan's overseas assets were frozen and raw materials imports were prohibited. For example, in 1940 the US notified Japan of the abandonment of the 1937 Commerce Treaty, and imposed an embargo on the importation of machinery and scrap iron and steel (Ikeda 1966: 81).

agricultural production continued to constitute around 50 per cent of total domestic production until the first half of the 1940s (Yi, T. K. 2002: 25), the production of food resources for civilian consumption decreased considerably. For example, as of 1944, 70 per cent of beef output was appropriated for military consumption. Foodstuffs were not the only consumer items that were controlled: most of the raw fibres produced in Korea were used for the production of military supplies (Yokeno 1947: 61). A study carried out by the Korean Government-General in 1942 revealed that the supplies of cotton met just 24 per cent of minimum civilian demand, those of towels only 40 per cent, those of *jika-tabi*[125] met just 60 per cent, and of underclothes only 66 per cent (Yi S. S. 2003a: 288). The concentration of limited material resources on war production opened up a huge gap between supply and demand in civilian necessities. This absolute shortfall in supply led to price increases.

An overissue of currency was the second factor which fanned the flames of inflation. As a way to cover war expenses, the colonial government increased the money supply. This fundraising mechanism to boost the armament industries was created with the enactment of the Temporary Act of Funding (*Rinji shikin chōtatsuhō* 臨時資金調達法) in October 1937. With this legal foundation, the colonial authorities constantly brought out new issues of currency, funnelling it into the military-related industries. Table 3-1 shows the index of currency issues and prices in Korea between 1926 and 1944.

Table 3-1: The currency issues and price indices in Korea, 1926-1944 (1926 = 100)

Years	Currency issue-index	Price index
1926	100.0	100.0
1930	98.5 (-16.3)	77.3 (-12.8)
1935	188.2 (+17.7)	76.8 (+10.6)
1936	195.7 (+4.0)	81.5 (+6.2)
1937	215.1 (+9.9)	88.1 (+8.1)
1938	309.4 (+43.8)	101.3 (+15.0)
1939	362.4 (+17.2)	117.2 (+15.6)

[125] A type of Japanese outdoor footwear.

1940	517.8 (+42.9)	133.6 (+13.8)
1941	634.4 (+22.5)	132.6 (-0.7)
1942	815.0 (+28.5)	142.4 (+7.4)
1943	1102.0 (+35.2)	158.4 (+11.2)
1944	2259.1 (+105.0)	177.6 (+12.1)

Based on Kim T. U. 1995: 100.
( ) = growth rate over previous years

While the currency remained stable between 1926 and 1930, an increase is shown during the first half of the 1930s. After 1937, when Japan began to push through full-scale resource mobilization to increase military production, there was an especially marked rise in currency issues: if the issue of 1926 equalled 100, the index of 1937 equalled 215; however, this rocketed to 1,102 by 1943, and further grew to 2,259 in 1944. The statistics show that the enormous expense of the war was dealt with by additional currency issues in Korea. Such rampant currency inflation triggered price rises.

An important point to be noted here is that the government imposed a system of ceiling prices on a vast range of commodities in order to curb the inflation brought on by the monetary policy. However, as Korean scholars have pointed out, the colonial government's pricing policy was apt to be unreasonable and unrealistic. For instance, the economist Kwŏn Pyŏng-t'ak argued that a price rise of 8.3 times was natural during the eight-year period between 1936 and 1944, when it is considered that currency circulation skyrocketed 21 times between the same period. (1984: 440). Yet, the officially calculated index of wholesale prices in 1944, using 1936 as a base (100), was 241, and for retail prices equalled 226 in Seoul. More specifically, the index for grain was 186, for other foodstuffs was 266, and for textiles was 238. According to government data, however, there was only a two-and-a-half-fold increase in foodstuffs and twofold increase in the cost of other commodities during this eight-year period (Hŏ Y. N. 2000: 303-304).

In reality, soaring prices seem to have been much more serious than the data demonstrated by the government. A 1937 article in a popular magazine testifies to the actual situation regarding prices in Seoul. On top of a gradual rise in general prices which had started at the beginning of the 1930s, it notes that prices had soared in a record-

breaking manner since 1931, especially from the end of 1936. According to a survey conducted by the Korean Bank, the general level of prices in December 1936 was 28 per cent higher than in the previous month. For example, the price of sesame oil and sugar grew by between 80 and 90 per cent in just one month (Han P. Y. 1937: 86). In March 1938 the *Maeil sinbo* newspaper reported that the prices of nearly all commodities, including rice, barley, cotton and ceramics, had grown by between 10 and 60 per cent from those of the previous year (Hŏ Y. N. 2000: 304). These examples show that the official prices controlled by price regulations were artificially low and did not reflect effective prices determined by supply and demand. Government measures to enforce the low price policy, which was originally supposed to curb inflation, eventually created illegal trade channels through which civilians were forced to pay much higher prices, while traders earned more than through legitimate markets. As the state's struggle for the control and allocation of scarce commodities intensified, the black market grew ever larger.

Moral Persuasion to Secure Wartime Economic Order

Garon noted that nationalistic appeals to its people were a feature of the Japanese government's campaigns to manage its society for several decades after the end of the nineteenth century. In particular, while the country was at war, the Japanese authorities aggressively used moral sense based on patriotism to enforce compliance with administrative regulations and to regulate people's behaviour (Garon 1997: 13-15). From the end of the 1930s, when Japan entered the so-called total war era, the colonial government in Korea used moral persuasion, grounded in the totalitarian economic view, to mobilize the entire nation's economic strength. To put it plainly, the authorities promoted a new morality in order to make people contribute to the country's war efforts.

Economic morality (*kyŏngje todŏk* 經濟道德) and business ethics (*sang todŏk* 商道德) became buzzwords around 1940, once the government's economic control was strengthened. The new concept of economic morality was grounded in the highly centralized economic system which was increasingly emphasized by the wartime government. As part of the concept, the economic structure that promoted individualism

and liberalism was sharply criticized for its detrimental effect on social interest and on the country's development. It entailed a shift in purpose for commercial activities, from financial incentives, which had dominated the capitalist economy, towards public interest (*kongik* 共益) in supporting the nation and the war effort. The Japanese authorities had no intention of nationalizing all industries in the country; however, they sought to put them under state control by transforming them into cooperative organizations in order to ensure that they contributed to the country. The new vision of business ethics saw each economic sector functioning for the purpose of national prosperity, mirroring the relationship between cells and an organic body. Only then were individual economic activities acceptable (Misawa 1944: 77-78).

The new economic morality advocated by the Japanese authorities was based on the idea of nationalism. Rampant nationalism in Japan surged as the Imperial Japanese Army, a right-wing nationalist group, rose to political prominence in the 1930s. The Army gained political influence due to the Manchurian Incident (1931), and then more amid the increasing dissatisfaction of the Japanese people with the previous civilian bureaucracy, which had failed to efficiently control the economy and had shown administrative incapability (Matsusaka 1996: 129-130; Yanaga 1940: 126-127). The Army's ideology was characterized as nationalistic, expansionist and socialistic, as well as anti-capitalistic, anti-individualistic, anti-factional and anti-communistic (Yanaga 1940: 128). It was rooted in Marxism, which had arrived in Japan in the 1920s in the form of criticism of capitalism and the free market economy and an adoration of planned economics (Nakamura 1999: 10). The Army was not the only group that believed some form of socialistic economic structure was superior to the capitalist economic system. Many economists and politicians believed that Japanese capitalism had reached a point where its liquidation was only a question of time. Influential politicians advocated revolutionary national socialistic reconstruction and the expansion of the Japanese territory through military force (Nakamura 1999: 11). Naturally, the political focus shifted from a capitalist economic system based on individualism and free enterprise to a centrally planned economy that contributed to the state.

The government's direct control of business activities was consolidated by the

passing of the Tenets of the New Order in regard to Economy (*keizai shintaisei yōkō* 経済新体制要綱), which was endorsed by Konoe Fumimarō's cabinet on 7 December 1940 in Japan. It outlined a central economic policy within the doctrine of the 'New Order' (*shintaisei* 新体制) proclaimed by the Imperial Rule Assistance Association (*Taisei yokusankai* 大政翼賛会). Led by Konoe, this fascist organization had become the most powerful party in Japanese politics by 1940 (Nakamura 1999: 16). The new economic policy postulated that companies would best serve the public interest under centralized state economic controls, blatantly rejecting the profit-motivated capitalist system. It repositioned companies as one of the components of the national economy to be controlled within the state's comprehensive economic plans for ensuring national defence. Emphasizing the new moral principles of 'putting priority upon public interests (*kōeki yūsen* 公益優先)' and 'discharging one's duty for the sake of the country (*shokubun bōkō* 職分奉公)', the policy authorized state intervention in the management and operation of business activities (Misawa 1944: 81-82).

In fact, the concept revealed in the Tenets of the New Order in regard to Economy was relatively constrained compared to the tentative version which had faced opposition from Japan's business community. The original plan anticipated the drastic transformation of corporations into government-led cooperative organizations based on the notion that companies were production units whose goal was to achieve targets set by the state. Seeking to change corporate goals from the pursuit of profits to production increases, especially in munitions production, it proposed that the owners and directors of companies should be separated from the management. Faced with intense opposition from the business community, the government eventually established a relatively moderate economic reform programme (Nakamura 1999: 15-16). However, the government's real intention of intervening in companies' operational management soon materialized through subsequent restrictive measures brought in under the Business Licence Act (*kigyō kyokarei* 企業許可令) in 1941 and the Business Reorganization Act (*Kigyō seibirei* 企業整備令) in 1942. These acts aimed to restrict the creation of new businesses through a licensing system and to consolidate and reorganize companies in

order to concentrate scarce material resources in military industries. Through these acts, medium and small-sized firms were forced to close. Most of the workers from these companies were transferred to munitions factories.

Economic reconstruction based on the idea of the New Order was soon applied to economic policy in colonial Korea. The Business Licence Act and Business Reorganization Act came into effect in Korea at almost the same time as in Japan. In order to shift labour power from civilian industries to war industries, many companies were forced to close down or change their businesses. According to Tamura, the director of the Korean Chamber of Commerce and Industry, a wide range of industries, including textiles, shipping and electricity, were reorganized by the government. He illustrated this with the radical reduction in the number of small transportation firms, from 263 to just nineteen by 1944, adding that any mention of the number of business closures and changes caused by state policies was officially prohibited (Tamura 1944: 281-282). The production of important material resources was streamlined to improve efficiency. For example, by 1944, the number of authorized mines had fallen from 300 to 50 in Kangwŏn Province. Workers in less-productive mines were sent to the selected 50 mines to maximize the efficiency of the workforce and production (Ibid.: 285). Furthermore, the opening of new businesses was also strictly limited. Only 50 per cent of the approximately 4,000 licence applicants were given permission to start their businesses between December 1941 and March 1944 (Ibid.: 283).

Production activities were not the only sphere affected by the totalitarian view of economic morality: merchants and individual shopkeepers were also required to change their way of thinking of their designated roles to fit in with the new ideology. Dispelling the fallacy of pushing for their own business interests, they were instead compelled merely to be faithful in the performance of their duties, providing a smooth and even distribution of goods from producers to consumers (Eguchi 1940: 80). In other words, their social status as businessmen was reduced to that of salaried workers, and their income was purely a commission for distributing social property, rather than a personal profit (Tamura 1941: 40).

In pursuit of establishing the new economic morality among the people, the government carried out various mass campaigns. For example, in August 1941, the Week for the Improvement of New Business Morals (*sin sangŏp todŏk hwangnip chugan* 新商業道德確立週間) was set up by the government.[126] Obedience to the Law Week (*chunbŏp kangjo chugan* 遵法強調週間) was run between 6 and 16 November 1942, and 8 and 18 November 1943.[127] Through street marches and public lectures, the authorities urged the civilian population to establish the new morality of pursuing the public interest as the top priority, rooting out conventional commercialism based on a free economic structure.

Special organizations were created to carry out these campaigns. In 1940, the Government-General ordered the establishment of a nationwide Council for Economic Control Cooperation (*Kyŏngje t'ongje hyŏmnyŏkhoe* 經済統制協力會) in order to place people within supervision frameworks and to strengthen the enforcement of economic regulations.[128] Composed of local members of the Chamber of Commerce and Industry and other government officials, through mass campaigns this organization called for people to cooperate with the nation's war policies and obey the regulations.[129] In some areas, shopkeepers were also included the Council's branches so that they could share information, such as newly developed price regulations, and keep an eye on each other to prevent illegal business activity (Hōmukyoku keijika 1941: 44). These organized efforts by the authorities were intended to enforce compliance with the multiplicative economic regulations and the strengthened state controls that accompanied the extension of the war.

[126] 'Sin sangŏp todŏk hwangnip chugan 新商業道德確立週間', *Maeil sinbo* 每日申報, 20 August 1941, p.1.
[127] 'Chunbŏp kangjo undong 遵法强調運動', *Maeil sinbo*, 6 November 1942, p. 4; 'Ch'onghu saenghwal anjŏng-e chunbŏp kangjo undong chwadamhoe 銃後生活安定에遵法强調運動座談會', *Maeil sinbo*, 10 November 1943, p.2.
[128] 'Kyŏngje t'ongje hyŏmnyŏk hoeŭi yŏllak chungang kigwan-do sŏlch'i 經済統制協力會議 連絡中央機関도設置', *Tonga ilbo* 東亜日報, 11 May 1940, p.4.
[129] 'Amch'wiin-ŭl pangji k'ojŏ kyŏngje t'ongje hyŏmnyŏkhoe kyŏlsŏng yuwŏliril Pusan sangŭi-eso 闇取引을防止코저 經濟統制協力會結成 六月一日 釜山商議에서', *Tonga ilbo*, 21 May 1940, p.4.

The Price Control Programmes

The promulgation of the Profiteering Restriction Regulation (*Bōr ikōi tō torishimari kisoku* 暴利行為等取締規則) on 21 July 1938 marked the beginning of the government's control of the prices of commodities bought by general consumers. It evolved from the Restriction Regulations against Profiteering Businesses (*Bōri o mokuti to suru baibai no torishimari ni kansuru ken* 暴利を目的とする売買の取締に関する件) enacted in May 1937, which banned the hoarding of iron and steel for industrial use. The first amendment in August 1937 expanded the scope of the control to 26 items, and was followed by a second revision in 1938 which outlawed the hoarding of and profiteering from 29 kinds of daily necessities (Hŏ Y. N. 2000: 295-296). Soon after the second revision, a price-indication programme was launched as the first step towards a price-curbing policy. Establishing the 29 items – including rice, barley, sugar, eggs, matches and clothing – for which prices were to be monitored, the authorities ordered sellers to label items with the 'proper' prices and other information, such as the number of items per package and the date they were priced. In addition to making this information available to customers, the sellers were required to submit lists of their products and the price of each to the government.[130]

This initial attempt at price regulation was less than successful. Even though the authorities monitored 29 kinds of important commodities to prevent sellers from profiteering from them, there was no clear standard for pricing at all, and the prices were entirely entrusted to the principled judgement of the sellers. After making an inspection of a local shopping area, for example, a government official from Kyŏnggi Province reported that the reason for the failure of the system was the difficulty of setting the prices.[131] The amorphous situation caused by the price regulation was described thus: '[O]n the one hand, shop keepers were hesitant of putting price tags on, wondering if they were making excessive profits or not….on the other hand, customers were doubtful of

[130] 'Chunbi-nŭn toeŏnnŭn'ga isipkujong mulka p'yosi 準備는되엇는가 二十九種物価表示', *Maeil sinbo*, 27 July 1938, p.2.
[131] 'Sangjŏmga-ŭi kagyŏk p'yosi taech'e sŏngjŏk 'pyŏng' iha 商店街의價格表示 大體成績「丙」以下', *Maeil sinbo*, 31 July 1938. p.2.

whether the prices indicated on the goods were legal or not...' [132]

After the failure of the price control programme, there was a greater awareness of the need to establish ceiling prices in order to more comprehensively curb price rises. In August 1938, the Korean Price Committee (*Chosŏn mulka wiwŏnhoe* 朝鮮物價委員會) was formed with the aim of establishing official prices for items traded at markets. With Japanese Governo-General's Secretary for Political Affairs Ōno as the leader, five sub-organizations in charge of textiles, foodstuffs, metals, fuel and other items, were set up under the Committee (Hŏ Y. N. 2000: 307). Provincial Price Committees（*To mulka wiwŏnhoe* 道物價委員會) were also formed under the local governments to control prices in each locality. The central Committee was entrusted with determining 'fair prices' (*kongjŏng kagyŏk* 公正價格) for commodities, based on research into the basic cost and additional expenses incurred for each item. The fair price was the maximum price at which sellers could sell their products. When there were difficulties in determining fair prices immediately, a temporary price was adopted, known as a 'stopped price' (*chŏngji kagyŏk* 停止價格) or an 'agreed price' (*hyŏbŭi kagyŏk* 協議價格). Under the former scheme, prices were determined by a price-freeze on the basis of the price on a specific date; under the latter, prices were decided by agreements between the producers and the dealers, under the supervision of the government. When fair prices were finally determined for items traded at stopped or agreed prices, the temporary prices were abolished (Fujimoto 1944: 337-338). Fundamentally, the local branches' pricing administrations followed the lead organization's decision, but they were sometimes able to set local prices which took into consideration the supply cost and context in their regions.[133]

Still more detailed stipulations concerning price regulations were made with the establishment of the Korean Goods Selling Price Ordinance (*Chōsen buppin hanbai kakaku torishimari kisoku* 朝鮮物品販売価格取締規則) in October 1938. According to

[132]'Saero puch'in chŏnggap'yo-e ŭi hŭrin kurŭm! 새로붓친定価表에의흐린구름!', *Maeil sinbo*, 28 July 1938, p.2.

[133] 'Chungang mulka wiwŏnhoe-wa pyŏnghaeng chibang mulka chojŏng pangch'im 中央物價委員會와 併行 地方物價調整方針', *Maeil sinbo*, 1 September 1938, p.2.

this ordinance, the objectives of the government's price controls and the prices set were formulated by official notifications issued by the Governor-General or by the provincial governors. Trading at prices lower than those determined was allowed, but sales transactions at prices exceeding the official ceiling prices were strictly prohibited. Both the sellers and buyers who violated the regulations were subject to a prison term of up to one year or a fine of up to 5,000 *wŏn*.[134] Compared with the earlier penalties based on the Restriction Regulation on Profiteering, which were a maximum of three months in prison or a 100 *wŏn* fine, the punishments were much harsher (Hŏ Y. N. 2000: 308).

The price control policy reached its peak with the enactment of the Price Control Ordinance (*kakaku tō tōseirei* 価格等統制令) or '9-18 Stop Ordinance' (9-18 *teishirei* 停止令) enacted on 27 October 1939. Encompassing prices for a broad range of products and services, including transportation, storage, insurance, processing, and rent costs, the act prohibited any price increases above the level prevailing on 18 September 1939 (Hŏ Y. N. 2000: 309). As explained above, the government's intention to set maximum prices had already been established by the creation of the Korean Price Committee in 1938. However, price fixing did not progress as expected at first because an immense amount of time and effort was required to set prices for every single commodity on the market. Most importantly, faced with the rocketing prices of materials day by day, the government needed to take emergency measures to comprehensively and firmly freeze prices (Fujimoto 1944: 340).

Initially the price-freezing policy was implemented with the intention of withdrawing it after one year. During the period of enforcement, the government planned to replace the temporarily stopped prices with fair prices.[135] Nevertheless, the government's original plan to repeal the ordinance after one year was postponed repeatedly. Due to the difficulty of determining prices, the government had no choice but to stick with the frozen prices. Moreover, there was a fear that prices would rocket when

[134] 'Wibanja-nŭn ŏmbŏl! Illyŏn iha chingyŏk, och'ŏnwŏn iha pŏlgŭm sangga chasuk chagye ch'okchin 違反者는厳罰!一年이하징역, 五千원이하벌금 商街自粛自戒促進', *Maeil sinbo*, 13 October 1938, p.2.

[135] 'Kagyŏk insang chŏngjiryŏng purwŏn, puryŏng-ŭl kongp'o 価格引上停止令不遠・府令을公布' *Maeil sinbo*, 4 October 1939, p.3.

the price-fixing system was eliminated amid increasing supply shortages.[136] As a result, the price-freezing policy remained effective until the end of the war and the range of items covered by it expanded. For example, in the first revision in 1940, the prices of fabrics, metallic products and perishable foodstuffs, such as fish, fruit and vegetables, were included.[137] Charges for repairs, entrance to attractions (theatres, exhibitions and recreation grounds, etc.), accommodation, and advertisements on public transport were frozen at the level of 11 August 1941 by the second revision of the Act in September 1941.[138] In July 1943, the Hwanghae-do provincial government fixed official medical treatment fees under the Price Control Ordinance.[139] The ceiling price system was a powerful method of wartime price stabilization. By 1945, the authorities had drastically consolidated state control of prices by expanding the breadth of the regulation.

However, practical enforcement of the Japanese pricing policies was enormously difficult. First, the government's semi-controlled technique of price regulation affected the prices of commodities. Under the price-indication programme implemented in 1938, explained previously in this section, the authorities simply ordered sellers to indicate the prices arbitrarily determined by them, without elucidating detailed regulations to enforce the low-price policy, and this failed to achieve a result. Rather, contrary to the initial aim of preventing a price hike, the programme created an air of anxiety about soaring prices. It raised the prices of commodities by encouraging both sellers and buyers hoard and buy more than they needed, as people feared possible price rises in the near future. Moreover, some sellers set extravagant prices for certain items, such as iron, rubber and cotton, as the prices of these items were outside of government monitoring. Taking advantage of a widespread rumour of soaring prices across a broad range of consumer goods, and vague concerns about such a situation, sellers set extravagant prices for their products, which led to a general rise in prices.[140]

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[136] 'Kuilp'al chŏngji kagyŏk kihan-ŭl yŏn'gi kagyŏk tŭng t'ongjeryŏng-ŭl kaejŏng kwangbŏmwi kongjŏng kagyŏk chedo kyugyŏk oep'um-e to chŏnban-chŏk ŭro! 九一八停止価格期限을延期 価格等統制令을 改正 廣範圍公定價格制定 規格外品에도全般的으로!', *Maeil sinbo*, 27 August 1940, p.3.
[137] Ibid.
[138] 'P'arilil chŏngjiryŏng kongp'o 八一一停止令公布', *Maeil sinbo*, 4 September 1941, p.1.
[139] 'Ŭisa chinch'allyo Hwanghae-do esŏ kyŏlchŏng in'ga 醫師診察料 黃海道에서決定認可', *Maeil sinbo*, 27 July 1943, p.4.
[140] 'Sangjŏmga-ŭi kagyŏk p'yŏsi taech'e 'pyŏng' iha Kyŏnggi-do Sanŏpkwa-ŭi naesa kyŏlgwa 商店街의價

Even after the implementation of the price freeze, consumer goods outside of government control were a major problem. In particular, problems surrounding perishable foodstuffs, such as seafood, fruit and vegetables, plagued the price policy. It was not until November 1940, a year after the 9-18 Stop Ordinance came into effect, that ceiling prices for these products were established, due to the seesawing supplies of them. Until the ceiling prices were finally fixed, the fluctuating values of these foodstuffs pushed up the prices of other basic commodities (Kakunaga 1940: 16).

The second problem with the government system of price regulation was price setting. The authorities did not establish a standardized method for price setting. For the sellers, it was critical that the prices set properly reflected the production costs so that their businesses remained profitable. In addition, there were many conditions to be considered when the prices were set, such as the distribution margin of products and the size of the companies involved, as these affected the production costs. Despite the importance of price setting, the government prices were fixed in an 'extremely expedient manner' without utilizing standardized computational methods (Ibid.: 13). In most cases, production costs were determined by simply taking an average of costs based on the reports from some sellers, or by directly borrowing the reported costs calculated by specific companies, without any corrections. The only principle taken into account in the final decision on the sales price was to raise the calculated prices slightly in consideration of small business owners, as their production costs were relatively higher than those of big firms. Kakunaga, head of the department of price coordination under the Government-General, and one of those involved in fixing prices, stated that the lack of a standardized method for cost calculation was the major reason for the incorrect 'fair prices' set by the government. He admitted that he did not know how to answer the questions from people who wanted know how the system of price setting worked (Ibid.: 14-15).

Roughly calculated official prices caused various problems in practical business transactions. Records of meetings between businessmen and government officers to

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格表示 大體「丙」以下 京畿道産業課의內査結果', *Maeil sinbo*, 31 July 1938, p.2.

discuss the pricing policies reveal that there were issues with impractical prices for a wide range of products. Shopkeepers argued, for instance, that the fixed price for dried udon was too low, while that of wheat flour was unusually expensive due to the high price of wheat flour that had prevailed at the time of the price freeze (Jōsetsu senji keizai konwakai 1941: 71, 74). Another example was the across-the-board fixed price for *sushi*. In general, the prices for each variety of sushi differed depending on the type or the quality of seafood used. Despite such a widespread practice, a fixed-price programme was adopted; fifteen *sen*[141] per piece and 70 *sen* for a dish of assorted sushi, regardless of the items included (Jōsetsu senji keizai konwakai 1941: 95).

Moreover, distributors were forced to continue with unprofitable businesses. This was particularly true of the grain sellers operating under the distribution system in Seoul: compared to the relatively high wholesale price that retailers had to pay for their deliveries, the regulated retail price was unnaturally low. Highlighting this problem, one newspaper article argued that there was an urgent need to adjust wholesale prices, to eliminate the handling charges for the rationing associations that wholesaled the rice to retailers, or to nationalize all distribution stations. Otherwise, according to the article, it was the general public who would be left to deal with the 'secret of measurement', the practice of short-weight selling that was openly carried out by grain distributors.[142]

The other problem concerning pricing decisions was that prices were fixed without taking into consideration the cost of transportation from the place of origin. For example, the fixed retail prices for some foodstuffs, such as salted pollack, were lower than the original production cost plus shipping charges (Jōsetsu senji keizai konwakai 1941: 125). It was not uncommon for local textile sellers, who were most exposed to import costs, to implore the government to amend the unreasonably low prices. In addition to the burden of escalating import prices, they had to bear the delivery charges from the ports of importation, and many of them were forced to sell their products to

[141] One *sen* 銭 is 0.01 *yen*.
[142] 'Paegŭmmang-ŭi p'yori yangmyŏn son bonŭn ssajŏn-ŭi nonggan akp'ye kyojŏng-en hyŏn paegŭp kagyŏg-ŭi chaegŏmt'o-ga p'iryo 配給網의表裏両面 損보는싸전의 弄奸 悪弊矯正엔 現配給價格의 再檢討가 必要', *Chosŏn ilbo* 朝鮮日報, 30 May 1940, p.2.

customers at prices even lower than their costs.[143]

The third flaw in the government's price control programme was the complexity of putting the regulations into operation. Commodities varied vastly in terms of size and sales units. A regulation could not simply state that it determined the price of certain types of things; rather, regulations had to be specifically defined and segmented so as to cover all types of commodities and prevent violations. To enhance the administrative efficiency of price setting, the authorities made efforts to standardize the sizes and sales units of products as much as possible. However, it was impossible to set rules to cover everything on the market, and many items remained non-standardized. The prices of these items were controlled under a special category of 'permitted prices' (*hŏga kagyŏk* 許可價格). For newly developed products that first came to market after the price freezing programme was implemented, a 'new product price' (*sinjep'um kagyŏk* 新製品價格) was given. Such a complex management system further slowed the progress of the price fixing administration, which already lagged behind in price setting for existing goods. Every product in the shops had to be labelled with the price system it belonged to. Tags for '公'(fair), '協'(agreed), '停'(frozen), '許'(permitted), and '新'(new) had to be placed alongside the prices.[144]

In addition to the already intricate pricing systems, the price regulations changed frequently with the strategic purpose of promoting the supply of deficit commodities to the market. However, such tactics further confused sellers. The fair price system for laundry soap offers an example of the complexity of the regulation system with which sellers had to be familiar. In May 1940, the Korean Price Committee slightly reduced the price of soap by setting the fair price for it as eighteen *chŏn* [145] per 100 *momme*[146](approximately 375 grams) of soap and nine *chŏn* per 50 *momme* (188 grams),

[143] 'Ibaengmyŏng yŏ sangin sojip t'ongje kyŏngje chirŭi mundap 二百名餘商人招集 統制經濟質疑問答', *Chosŏn ilbo* 朝鮮日報, 26 January 1939, p.3; 'Mitchimyŏ p'algin ŏgul kongjŏng kagyŏg-i sa on kap poda chŏgŏ 밑지고 팔긴억울 공정가격이 사온 값보다 적어', *Tonga ilbo*, 13 April 1939, p.3.
[144] 'Kagyŏk p'yosi-nŭn myŏngnyo hi ŭnnik maesŏk hamyŏn chŏbŏl 價格表示는 明瞭히 隱匿賣惜하면 處罰', *Tonga ilbo*, 5 August 1940, p.2.
[145] One *chŏn* 錢 is 0.01 *wŏn*.
[146]A Japanese unit of weight. 1 *momme* ≒ 3.75 grams.

down from an earlier price of eighteen *chŏn* per 95 *momme*. The purpose of cutting the price was to ease the shortage of soap by encouraging sellers to release more onto the market. The authorities gave three-month extensions to shopkeepers to let them sell off their stocks of the previous-sized soap for the same money as they had received before. If the sellers had not sold all of their 95 *momme* soap within the timeframe, they were no longer allowed to charge the previous price after the deadline. Since the earlier 95 *momme* products were smaller than the new standardized 100 *momme* products, they were only allowed to charge nine *chŏn* for 95 *momme* of soap after this.[147] This meant that if the sellers did not hear of the new regulations and obey them, they either received almost half the previous income from their products, or became black marketeers and violated price regulations.

The continuous stream of amendments to the Act was one of the biggest problems in the enforcement of price controls, and was a contentious issue with the people. Even the government officials who had to enforce compliance with the regulations considered them 'complex and labyrinthine' (Anonymous 1940a: 762; Anonymous 1940b: 758). Moreover, although sellers wanted to follow the latest regulations directly affecting their businesses, such information was not easily obtained by individual shopkeepers; the source for such knowledge was the government gazette, which had a limited circulation among the general population (Jōsetsu senji keizai konwakai 1941: 91). However, ignorance of the regulations was unacceptable. The government principle was that once a restriction had been disseminated in the official gazette, it was soon enforced on the basis that everybody knew of it (Fujimoto 1944: 339).

The Policing of the Wartime Economic Order by the Economic Police

Notwithstanding such unrealistic aspects, the authorities employed various measures to implement the price policies. In terms of the enforceability of the regulations, the police force was the most powerful instrument among a multitude of techniques developed by the colonial government to ensure economic order. A special police force, the economic

[147] 'Set'ak pinu kongka kyŏlchŏng paengmun kyugyŏg-ŭl sipp'alchŏn, osimmun kyugyŏkp'um kujŏn ibil mulka wiwŏnhoe ch'onghoe-esŏ kyŏlchŏng 洗濯비누 公價決定 百匁規格을 十八錢, 五十匁規格品 九錢 廿日物價委員會 總會에서決定', *Tonga ilbo*, 21 May 1940, p.2.

police (*kyŏngje kyŏngch'al* 經濟警察), was established in November 1938, a few months after the introduction of the failed price indication programme (Kim, S. B. 1997: 105). The significant role of the economic police in implementing wartime economic policies is explained here by the head of the Police Administration Bureau (*Kyŏngmuguk* 警務局):

> State controls over the distribution, consumption, export and import of important materials and their prices have been increasingly strengthened. In a short period, a wide range of restrictive regulations have been promulgated and put into effect. In accordance with the government regulations, it is our most urgent priority to make certain that the regulations are enforced through surveillance, the prevention of crimes, and arrests where necessary. … [T]o put it simply, the economic police stand for the *operation of state power* (*kenryoku sayō* 権力作用) to maintain the new economic order that the country needs.
>
> (Anonymous 1940b: 758, emphasis added)

As noted in the quotation above, the economic police were created with the special mission of enforcing economic regulations. The lead organization of the economic police, the Economic Police Section (*Kyŏngje kyŏngch'algye* 經濟警察係) was created within the Department of Police Administration (*Kyŏngmugw*a 警務課) under the Police Administration Bureau. A staff of 565 was recruited for its administration (Kim, S. B. 1997: 111). During its initial days, the activities of the economic police were concentrated in commercialized city areas, where the law enforcement operation was considered more necessary than in the countryside. Ninety-five economic policemen were assigned to Kyŏnggi Province, which included Seoul, and 64 police officers were sent to Kyŏngsangnam-do, where Pusan, another large city, was located.[148]

The police had a broad range of responsibilities for enforcing economic regulations, as well as an administrative function. The tasks of the economic police identified at a meeting of the Provincial Economic Police Department in 1942 show that the police

[148] 'Kyŏngnam kyŏngje kyŏngch'al kŭnil chung insŏn paech'i yejŏng ch'ong yuksipsamyŏng-ŭi chinyong (Pusan) 慶南 經濟警察 近日中 人選配置豫定 總六十四名의 陣容(釜山)' *Tonga ilbo*, 13 November 1938, p.4.

played a significant role in implementing economic policies.

A. Economic police operations to cope with the current war situation
  a. To intensify the crack-down on deliberate crime
  b. To control illegal activity carried out by retail sellers
  c. To monitor illegal hoarding and profiteering
  d. To regulate people who spread false rumours about the economic situation or who disturb the economic order
  e. To conduct thorough research and to collect information
  f. To secure daily necessities and to direct and monitor rationing, including:
    i) Seizing control of the rationing administration
    ii) Supervision of the rationing of controlled commodities
    iii) Regulation of material consumption
B. To increase discipline among police officers
C. To educate about the economic police
D. To intensify police patrols and information gathering
E. To prevent crime through educational activities
F. To strengthen oversight and maintain rigid control over the distribution of controlled materials
G. To participate in organizations controlling rationing
H. To conduct research on trends in economic associations
I. To administer the Company Permission Ordinance
J. To assist in the recovery of metals
K. To prevent the drain of materials from Korea to Japan (by the implementation of the textiles rationing programme in Japan)
L. To carry out research into the movements of small and medium-sized manufacturers
M. To collect, deliver and supervise essential commodities

(Kuksa p'yŏnch'an wiwŏnhoe 1978: 32-33)

The overriding task of the economic police was to ensure the smooth implementation of nearly all the crucial wartime economic regulations involving rationing and price controls. The police were involved in the whole process of rationing. For example, the police force played a significant role in food collection, exercising its legitimate power (see 1.1). The police also assumed administrative tasks in food distribution. For example, as a member of the Korean Central Alcoholic Drinks Rationing Association, the police were involved in the overall distributional planning for alcoholic drinks for export, domestic consumption, and military use (Sugiyama 1943: 22). Among the responsibilities entrusted to the economic police, control over distributors was particularly emphasized (Chōsen sōtokufu keimukyoku 1941: 21), since the broad range of restrictive regulations promulgated around 1939 were concerned with price controls which had to be obeyed by

sellers.

Initially, police efforts were focused on the mass education of business owners, and this involved providing advice, giving cautions, and warning against infringements through various public lectures, rather than taking forceful action (Anonymous 1940b: 758). Even though the police force had been created with the purpose of enforcing regulations, it was difficult for the general populace to immediately understand, and comply with, many complicated laws.[149] In the first year after its establishment, the economic police organized more than 60,000 lectures and disseminated various business guidelines in line with the newly enforced laws to people throughout Korea (Chōsen sōtokufu keimukyoku 1941: 27).

With the promulgation of the 9-18 Stop Ordinance in October 1939 and the beginning of food rationing in Seoul in May 1940 as turning points, the strength of the economic police force grew rapidly. In order to enforce the intensified price and rationing controls, it was important to consolidate the power of the force. During the year after the creation of the police in 1938, 21 different economic acts were developed and then implemented by the police. By January 1940, the number of laws the economic police were responsible for enforcing had increased to 44 (Hattori 1940: 24), and had further grown to 96 by March 1941 (Chōsen sōtokufu keimukyoku 1941: 23). To cover the increased police administration, between 1939 and 1940 1,093 additional personnel were assigned to the economic police.[150] The nature of police activities also changed as a result of the strengthened state controls. The earlier police policy of 'gentle educational principles' (*mion-chŏk chido chuŭi* 微温的指導主義) shifted to a principle of 'arrests and strict suppression' (*kŏmgŏ tanap chuŭi* 検挙斷壓主義) after the issuance of a special order from the Governor-General shortly after the promulgation of the 9-18 Stop

[149] 'Kyŏngje kyŏngch'al silsi-ŭi manjŏn kido unyong-ŭi cheil tan'gye-ro ch'wiji-ŭi chuji ch'ŏlchŏ-e churyŏk 經濟警察實施의万全企圖 運用의第一段階로趣旨의周知徹底에注力', *Tonga ilbo*, 13 November 1938, p.2.

[150] 'Kyŏngje kyŏngch'al taejŭngwŏn migoksang kangje chosa munje-nŭn samwŏl chung silsi 經濟警察大增員 米穀商強制調査問題는三月중 實施', *Tonga ilbo*, 7 January 1940, p.2; 'Kyŏngjekwa sŏlch'i-nŭn t'ongje-ŭi manjŏn kido, Mihashi kyŏngmugukchang tamhwa 經警課設置는 統制의 萬全企圖 三橋警務局長談', *Maeil sinbo*, 4 February 1940, p.2.

Ordinance.[151]

Granted legitimate control, the economic police force vigorously extended its powers of supervision and law enforcement. For example, in May 1940, a few days before the beginning of staple-food rationing in Seoul, the Department of the Economic Police in Kyŏnggi Province summoned grain distributors and instructed them in the detailed principles of operation, such as not selling food to those without purchasing permits, placing seals on ration cards whenever grain was sold, and not holding up the distribution of grain for any reason.[152] With government officials, the police also had to patrol the 800 distribution points for commodities in the city, to oversee the sellers' rationing and to check their books.[153]

Police controls to counter the violation of economic regulations intensified. For example, in December 1939, there was a major year-end crack-down on illegal transactions at grocery and miscellaneous-items shops in Seoul. Police surveillance was focused on shopkeepers' price labels and profiteering based on the officially frozen prices.[154] Food and alcohol sold at bars and cafés was also subject to police regulation. After an intensive investigation into the prices of individual dishes, police officers ordered vendors to drop those prices which were thought to be unreasonably expensive. When people disobeyed police orders they were severely punished.[155] Buyers were also subject to police regulation: an investigation by the Chongno police discovered a retailer in Seoul who was paying more than the 'fair price' for rice.[156] Such regulation activities were sometimes carried out undercover. Shortly after the government policy of strengthening police controls was announced, Kyŏngsang-pukto provincial government introduced a new operational principle. The provincial governor ordered the 100 newly

[151] 'Kyŏngje sabŏm ch'ŏlchŏ chŏkpar-ŭl ch'ongdok, chujisa hoeŭi-e kangjo 經濟事犯徹底摘發을 總督, 知事會議에 強調', *Chosŏn ilbo*, 2 November 1939, p.2.
[152] 'Ŏpcha hoch'ul chisi paegŭp sanghwang-ŭl ŏmjung ch'wich'e 業者呼出指示 配給狀況을嚴重取締', *Chosŏn ilbo*, 2 May 1940, p.2.
[153] 'Kamsidae-rŭl chojik paegŭp changbu imgŏm 監視隊를組織 配給帳簿臨檢', *Chosŏn ilbo*, 2 May 1940, p.2.
[154] 'Semal sangjŏmga-e amhaengŏsa ch'ulto! 歲末商店街 에 闇行御史 출두!', *Chosŏn ilbo*, 12 December 1939, p.2.
[155] 'T'ŏmuni ŏpsi pissan yangju ch'wich'e 터무니업시비싼洋酒取締', *Chosŏn ilbo*, 14 December 1939, p.2.
[156] 'Kongjŏngga musi migoksang yusi 公正価無視米穀商諭示', *Chosŏn ilbo*, 14 December 1939, p.2.

employed police officers to work in plain clothes instead police uniform, in order to improve their ability to regulate the markets.[157]

Punishments for illegal actions became increasingly harsh. From April 1940, the Office of the Public Prosecutor in Seoul increased the penalties for violations of price control regulations. Individuals selling products at prices higher than the officially fixed values were subject to a penalty of 'the profit plus twice the excess sum', much more than the earlier fine of 'the excess sum'. In addition to this, imprisonment, which had not thus far been adopted, came to be imposed on offenders (Yamazawa 1940: 4). In terms of sheer legal potency, the police force expanded continuously as the country's economic controls were strengthened.

Despite such efforts to fight economic crime, however, the legal force of the economic police seems to have been relatively ineffective. In December 1939, a newspaper article reported that there was a considerable growth in the number of economic criminals, while non-economic crimes, such as thought crimes, were in decline, reflecting the economic disorder in the country.[158] Police statistics testify to the increasing wave of economic crime. While the criminals violating economic regulations accounted for 26.2 per cent of total criminals in 1941, the ratio rose to 28.5 per cent in 1942, and to 31.5 per cent in 1943 (see Table 3-2).

Table 3-2: The numbers of persons prosecuted for economic and other crimes in Korea, 1941-1943

Year	Economic criminals	Other criminals
1941	16,688 (26.2%)	46,928 (73.8%)
1942	17,347 (28.5%)	43,515 (71.5%)
1943 (January-June)	9,918 (31.5%)	21,678 (68.5%)

Source: Hōmukyoku keijika 1943: 8

It was not just the proportion of economic crimes out of total crimes, but the

[157] 'Kyŏgnje kyŏngch'al kigu hwakch'ung 'kwa'-rŭl sinsŏl paegyŏmyŏng chŭngwŏn 經濟經警機構擴充 '課'를新設 百餘名增員', *Tonga ilbo*, 15 February 1940, p.4.
[158] 'Kyŏngjebŏm sangdang chŭngga 經濟犯상당增加', *Chosŏn ilbo*, 27 December 1939, p.2.

numbers of cases that rose too. According to Hattori, chief of the Economic Police Department, the number of economic crimes in 1940 equalled 56,921, up from 16,340 in 1939. Moreover, between the two years, the ratio and the number of arrests, the most severe punishment, increased sharply, while lenient sentences of 'release on caution' fell: the former rose from 2.2 per cent (357 cases) to 37 per cent (14,990 cases), and the latter declined from 96 per cent (15,727 cases) to 73 per cent (41,931 cases) (Hattori 1941: 22-25).

The rise in economic crime illustrates the magnitude of the black market in the country. The vast majority of economic offenders were arrested for infractions of the Price Control Ordinance and the Profiteering Restriction Regulation, which prohibited the selling of products at prices higher than the officially fixed ones. Between November 1938 and October 1941, the number of criminals who committed offences under those two laws totalled 71,522, accounting for 86.7 per cent of all economic crime (Hōmukyoku keijika 1943: 244-247).

Price studies conducted by the colonial government several months after the enactment of the 9-18 Stop Ordinance in October 1939 reveal that state efforts to control prices had not had an impact. In the first half of 1940 in Chŏllanam-do, the prices of almost all necessities continued to grow, despite the officially frozen prices: commodities were traded at 2.5 per cent to 130 per cent higher than the officially frozen prices. The results of a survey in Chŏlla-pukto in the same period noted that the prices of important daily commodities had more than doubled between 1937 and 1940. The reports describe the soaring prices for some goods, such as cotton and leather shoes, as 'out of control' (Kakunaga 1940: 3-4). Notwithstanding police suppression, the black market loomed larger with the extension of economic regulations. Black-market activities became established practice among Korean people, undermining the economic control structure of the government.

Greed and Desperation within the Ill-constructed Control System

Attempts to subvert the controls were made in each layer of the price and rationing

programmes. Malpractices by the people involved in the distribution of commodities were one of major factors which upset the rationing system. This was especially true of the distribution of rice, the staple component of the Korean diet. Inter-provincial transportation of rice from surplus to deficit areas was first determined by local authorities; practical deliveries were then entrusted to the provincial rationing associations, composed of grain sellers and government officers (see 1.1). Mishandling by association members who exploited their advantageous positions was not infrequent. For example, in 1940, members of the Seoul Food Rationing Association and their employees were apprehended for illegally hoarding rice and barley for their own consumption.[159] Another instance of fraud was committed by a member of staff at the Korean Rice Market Company, one of the central organizations in charge of the distribution and import/export of rice. The staff member stole rice by reusing requisition slips that should have been destroyed after one use, and sold it on the black market (Hōmukyoku keijika 1943: 20).

Foodstuffs were not the only plunder taken by authorized people. During the first half of 1944, 33 people involved in the rationing administration, including government officials, were arrested for embezzling cotton, rubber shoes, socks, rice and metal by forging paperwork (Kenjikyoku 1944, quoted in Chang 2001: 241). A local government employee in Hwanghae-do was caught by the police for fabricating purchasing permits for cotton and for demanding bribes from cotton sellers (Hōmukyoku keijika 1942b: 152).

The frauds committed by the leaders of the civilian 'town associations' (*chŏngdonghoe*) and their sub-organizations, 'patriotic units' (*aegukpan*), which were part of the official distribution system, also made a mockery of the rationing controls. While in principle the rationing programme was managed under the supervision of the government, the leaders of these civilian groups were entrusted with important responsibilities: purchasing permits were issued by the *chŏngdonghoe* leaders, and were then distributed to the individual households by the *aegukpan*. As increasing number of foodstuffs were included in the rationing controls, the *aegukpan* leaders' increasing

[159]'Paegŭp chohabwŏn-i yangmi pujŏng maejang 배급조합원이 양미부정매장', *Chosŏn ilbo*, 18 April 1940, p.2.

power was particularly frequently abused, and led to widespread irregularities. Using their privileged positions, many *aegukpan* leaders kept ration cards and commodities for their own consumption, or gave them to their friends and relatives, instead distributing them to unit members. Goods diverted from official channels of distribution were traded illegally on the black market. Embezzlement by *aegukpan* leaders was one of the chronic malpractices that existed under every rationing scheme (see 2.1).

Another flaw in the state system of economic control was caused by the fact that sellers functioned as distributors. In principle, their businesses were under the strict control of the price and rationing regulations; however, just as essential commodity rationing was managed by civilian-group leaders, the practical handling of scarce commodities was entrusted to the sellers at each distribution station. Such a situation gave the sellers plenty of opportunity to illegally hoard rationed goods and engage in black-market transactions. As mentioned previously, much of the economic police's attention was focused upon the extensive evasion of regulations by distributors. It is no exaggeration to say that one of the primary objectives of the establishment of the economic police in 1938 was to observe and enforce price regulations among distributors (Hattori 1941:27). Despite widespread criticism of sellers for their selfish pursuit of egoistical interests, especially from the viewpoint of the state-centred business ethics promoted under the strictly controlled economy, the flagrant black marketeering of individual shopkeepers and merchants continued to grow (Yamazawa 1940: 181-182).

During the initial stage of implementing the economic regulations, sellers' misdemeanours were not very serious. However, it was common for people to fall foul of the law because they were unaware of the existence of the regulations. Even if their activities were calculated violations, they simply made efforts to ensure that their irregularities were not discovered by the authorities, rather than aggressively fabricating their books and deceiving inspectors.[160] For example, one of the prevalent malpractices among grain sellers was to give preferential treatment to bulk purchasers over ration-card users in order to make more profit, as I explained in 1.1. It was also common to force

[160] 'Kyŏngje kyŏngch'al-ŭi wiban kyŏnghyang akchil, kŏaekpŏm-i chŏmjŭng 經濟警察의違反傾向 悪質, 巨額犯이漸增', *Tonga ilbo,* 23 June 1940, p.2

customers to buy unnecessary additional items (Tamura 1941: 39-41).

However, as rationing and price controls intensified, malpractices became far more sophisticated. A report by the Bureau of Police Administration included plenty of more flagrant and aggressive cases. For instance, producers incorrectly labelled products, those in bottles or cans, which were not subject to inspection, to make them look like higher quality items or a completely different product.[161] Tokuda, the Seoul District Prosecutor, also testified to the deceitful nature of the economic crimes, which was exemplified by some of the cases he handled. For example, a rubber-shoemaker increased his output by secretly adding used or low-quality rubber in new rubber shoes and selling the surplus new rubber under the counter. Shady actions by sellers, such as increasing the weight of firewood by pouring water over it, and tie-in sales that forced consumers to buy additional unwanted items, were common practice (Tokuda 1942: 96).

There were many types of artfully planned illegal transactions. The most common method of fraud was cash trading or the selling of things for prices higher than those specified in law. Although such practices were well known to the economic police, it was nearly impossible for them to detect every instance since such crimes were committed on a small scale. As long as the sellers and buyers reached mutual agreements, and their accounts were expertly doctored, they were able to successfully escape police surveillance. This was especially true in small, privately owned shops. Allegedly, the cash and cheques used for 'additional' payments flooded the pockets of the black marketeers (*yami*[162]*p'ae*) who hung around the tea shops in Chongno District, the busiest commercial area in Seoul (Yu O. T' 1940: 167).

Money also changed hands illegally through more sophisticated methods, such as counterfeit contracts between buyers. People would draw up double contracts, one of which would be quickly cancelled, in order for money to be given to the shopkeepers in the form of a penalty payment. In such cases, the transactions appeared to be legitimate as

[161] 'Kyŏngje kyŏngch'al-ŭi wiban kyŏnghyang akchil, kŏaekpŏm-i chŏmjŭng 經濟警察의違反傾向 悪質, 巨額犯이漸增', *Tonga ilbo,* 23 June 1940, p.2.
[162] *Yami* stands for both 'black market' (*yami ichi*) and 'black-market trading' (*yami torihiki*), from the original meaning of 'darkness' in Japanese. Along with the Korean word *amsijang* (black market) and *amgŏrae* (black marketeering), it was commonly used in colonial Korea.

actual products were traded at the officially fixed prices (Ibid.).

Other forms of fraud fell into the category of bullying. For example, sellers would refuse to hand over all the products for which they had been paid: that is, if a purchaser paid one hundred *wŏn* for ten items, the fair price of which was ten *wŏn* each, the seller would only provide eight. Sellers would also often sell perished or damaged commodities. Most customers had no choice but to tolerate such unjust treatment, since the sellers had the power to refuse to serve them in the future (Ibid.).

Shopkeepers were not the only people to subvert the economic controls; pedlars also engaged in shady deals, escaping police surveillance. Pedlars were one of the most troublesome groups over which the economic police had to exercise control. The police monitored illegal transactions made by shopkeepers by perpetually patrolling their shops, but it was extremely difficult to keep an eye on the itinerant trading of pedlars. The police conceded that it was absolutely impossible to exercise control over their illegal transactions, describing them as '[j]ust like flies around the table, pedlars immediately disappear when they are swept away, but soon reappear from nowhere (Hōmukyoku keijika 1943: 64). At first, the government denied recognition of the pedlars' commercial activities; however, it had no other alternative but to allow the pervasive humble retailers to continue their businesses. In 1942, the police in Seoul reluctantly introduced a certification system to permit some of them to continue their businesses on the condition that they wore green armbands on their left arms as a sign of legitimacy. Consumers were advised to check whether the sellers were certified and obedient to the official pricing regulations before shopping at their stalls.[163]

As I have explained in 1.1, in colonial Korea there was a top-down governance structure under the absolute power of the Government-General, and coercive economic policies were imposed one after another to respond to obstacles arising from the changing economic conditions, even without clear legal grounds. The flexibility of policy implementation that relied on the centralized power of the colonial authorities was one of

[163] 'Yami maemae p'anŭn saram-to mipkŏniwa sanŭn saram put'ŏ chalmot 야미매매 파는사람도 밉거니와 사는사람부터잘못', *Maeil sinbo*, 28 October 1942, p.2.

the special features of the controlled economy in Korea, and was considered by the authorities as one of the main reasons for the smooth running of the economic controls.

However, on a practical level, such an expedient implementation of economic polices destroyed people's livelihoods. For instance, when Seoul City government launched the grain distribution system in 1940, it appointed 167 grain merchants throughout the city as official grain distributors.[164] The number of distribution stations increased to 778 in 1941 as the rationing programme was revised,[165] and fell to 212 in 1943.[166] Since the free trade of grain was prohibited, many grain sellers excluded from official appointments lost their jobs. There were protests against such an aggressive administration: In 1940 in Taejŏn City, 69 former grain retailers, who had been excluded from selection for the seventeen grain distributor positions available, protested against the domineering administration, and asked the government to permit their businesses to continue.[167] A similar protest against the local government had previously been organized by seventeen grain millers in Hamgyŏng-namdo in May 1940.[168] When the nationwide grain-rationing system was established in 1943, only 1,400 grain dealers out of a total of 15,400 were subsumed under the Korean Foodstuffs Company as official distributors throughout the country (Kwŏn P. T'. 1984: 430).

The disruption to rice dealers who were forced to change their businesses in Inch'ŏn City offers another example of the difficulties people faced as a result of the food control policies. In the wake of the government's encouragement to eat wheat-based foods as a substitute for rice, they began to produce noodles and imported noodle-making machines from Japan. At first, the change in business seemed to have been a success as they received many orders from Manchuria, even before the machines arrived from

[164] 'Singnyang-ŭi wŏnhwal mokp'yo Kyŏngsŏngbu singnyang paegŭp chohab-ŭl kyŏlsŏng puyun-i kamdok 食糧의円滑目標 京城府食糧配給組合을結成 府尹이監督', *Tonga ilbo*, 30 January 1940, p.3.

[165] 'Singnyang paegŭp ch'ŏlbyŏkchin chagil, Kyŏngsŏng yanggok paegŭp chohap t'ansaeng 食糧配給鐵壁陣 昨日, 京城糧穀配給組合誕生', *Maeil sinbo*, 13 December 1941, p.2.

[166] 'Puyŏng singnyang paegŭpso sawŏl put'ŏ ilche kaejŏm 府営食糧配給所四月부터開店', *Maiel sinbo*, 24 March 1943, p.2.

[167] 'Urido changsa-rŭl hage Taejŏn-ŭi pichijŏng misang, pu-e hoso 우리도장사를하게 大田의非指定米商, 府에呼訴',*Chosŏn ilbo*, 2 March 1940, p.3.

[168] 'T'ongje chohab-e chewoedoen chŏngmi ŏpchadŭl kwŏlgi 통제조합에 제외된 정미업자들 궐기', *Chosŏn ilbo*, 13 May 1940, p.3.

Japan; however, their new businesses were soon disbanded due to a sudden government embargo on wheat-based exports from the country.[169]

The government was well aware that its controlling policies had led to massive job losses and recognized the need for continuous and careful observation of the situation, since it was likely to cause growing social unrest. Even though the open mention of unemployment caused by economic regulation was strictly prohibited, data were continuously collected by the economic police (Kim S. B. 1997: 120). However, it seems that there was little the administrators were able to do about the problem.[170] At best, the authorities encouraged the 'survivors' of state economic controls to be sympathetic to those who had lost their jobs (Hōmukyoku keijika 1943: 65). Yet, sympathy could not ease the economic hardship people faced. Scherer stated that the Japanese economic control system created 'a whole new field of criminal activities and mobilized criminal energies in otherwise law-abiding citizens', pointing out that 'the consequence of the government's agitation for a war on people's lives was grave difficulties in making their livings' (Scherer 1999: 120-121). For those affected, desperate need was a more powerful motivator for illegal economic activities than greed. People were required to accept sacrifices for the sake of the country.

The situation of authorized distributors was somewhat better than that of the unemployed, since they were at least able to continue their businesses. However, most shopkeepers had to reduce the scale of their business, as they were only able to open on rationing day. According to a former local government official from Nonsan county in Ch'ungch'ŏngnam-do, in the 1940s only a few shops survived the forced shut-down ordinance that was part of the Business Reorganization Act. Business was conducted on just one or two days a month (Hŏ Y. N. 2006: 127). Black marketeering was part of the daily struggle for those trying to make ends meets in the wartime economy.

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[169] 'Chigŏp chŏnhwanhan misang maekpun kŭmsu-ro pimyŏng 職業轉換한米商 麥粉禁輸로悲鳴', *Chosŏn ilbo*, 8 May 1940, p.3.

[170] The unemployed in Japan Proper were supported by money from the government and from those local businessmen who were allowed to continue their business. This money from the businessmen was known as part of 'sharing the sacrifice' (Tamura 1944: 285). However, little is known about the administrative measures in place for the Korean people.

The Black Market in Wartime

As state control over prices and rationing became stricter, more and more commodities became harder to obtain through official distribution channels, and this led to an invigorated black market. In June 1940, a month after the food rationing programme began in Seoul, the first survey of black-market prices was conducted among 55 housewives. Although a broad range of daily commodities – from foodstuffs and clothing to firewood – was available on the black market during the early 1940s, the average price was no more than 1.2 times higher than official prices.[171] However, by 1944 the gap between the two prices had dramatically increased, as Table 3-3 indicates.

Table 3-3: Price index of foodstuffs on the black market, June 1944, Seoul (based on the assumption that the official price was equal to 1)

Foodstuffs	Price index of black market
White rice	12 times higher
Small beans	11 times higher
Sesame seeds	15 times higher
Sweet potatoes	5 times higher
White potatoes	5.5 times higher
Apples	8 times higher
Beef	3.5 times higher
Pork	3.3 times higher
Eggs	4 times higher
Dried pollack	4.5 times higher
Sugar	10.5 times higher
Chŏngju[172]	4 times higher
Rice cake	10 times higher

Source: Chosŏn kŏmch'al yobo (6): 24-26, quoted in Chang S. 2001: 243

As Table 3-3 reveals, Seoul citizens had to pay between three and fifteen times the official price for food on the black market. The shortage of rice was particularly severe.

[171] 'Kyŏngsŏng amsijang-ŭi chŏngch'e 京城闇市場의 정체' *Maeil sinbo*, 26 September 1940, p.4
[172] A clear wine made by filtering the grain out of the fermented liquid.

The black-market price of rice, already 12 times higher in June 1944, continued to increase thereafter. Using the official price of June 1945 as a basis (5.1 *yen*), the black-market price for one *tu* (approximately eighteen litres) of rice was 22 times more expensive (110 *yen*) in December 1944, 39 times more expensive (200 *yen*) in March 1945, and soared to 98 times more expensive (500 *yen*) in June 1945 (Chosŏn ŭnhaeng chosabu 1949: I-113).

Such an extraordinarily high price for rice on the black market meant that procuring it through official rationing became increasingly difficult. When staple-food rationing began in May 1940, Seoul citizens were permitted three *hop* (approximately 430 grams) of rice, mixed with other grains, per person per day. However, by 1941, the allowance for adults had fallen to 2.3 *hop* (330 grams) by 1943, and the actual ration distribution was even smaller than these standard allowances, as I have explained in 1.1. In a survey conducted by the government in 1944 among citizens in seventeen major Korean cities, people in ten cities noted that rice was the item which could not be obtained in the minimum quantities required without using the black market (Chosŏn kŏmch'al yobo, August, 1944, quoted in Yi S. S. 2003a: 297). Under such a circumstance, participating in illegal transactions was unavoidable for the majority of Koreans.

The deficient food supply and increasing demand led to the proliferation of the black market throughout the country. *Keizai jōhō* (Economic Information), a serialized report on economic trends written by local public prosecutors, highlighted the acute food shortages and invigorated black-market transactions in colonial Korea. This was especially true of reports in the ninth edition, which analysed the economic crimes that had occurred during the first half of 1943 and described the increase in illegal practices in each locality. Nine out of eleven reports pointed out that the majority of offences related to foodstuffs, especially grain (rice). For example, the report from the Haeju office stated that grain was the item most traded on the black market, as well as subject to the most distribution malpractices (Hōmukyoku keijika 1943: 108, 115). The report from Ch'ŏngjin described how the black market had become an open secret and was entrenched in everyday life, noting that the prominent reason for this was the shortage of food (Ibid.: 54, 95). According to the Taejŏn office, the majority of profiteering

concerned the sale of rice, with the illegally procured grain usually delivered to big cities, such as Seoul, by rail or road freight (Ibid.: 366).

As less food was available through legitimate channels and things began to be traded at fantastic prices, people resorted to barter to meet their needs. The report from Sinŭiju office in the above-mentioned document identified more than a dozen separate forms of barter: providing labour on the condition of receiving grain, fuel, clothing or alcoholic drinks in lieu of wages; city dwellers exchanging daily commodities for grain from farmers; mining industry managers exchanging rice for petrol; sellers or restaurant owners trading rationed (or illegally hoarded) alcoholic beverages with farmers for firewood or grain, and so on (Ibid.: 105-106). Barter transactions were subject to strict control by the authorities since they disturbed rationing controls and affected the value of currency. However, once this form of transaction was established, it could not be eradicated, especially when it was so hard to obtain much needed items, despite paying steep prices for them.

Widespread barter transactions stimulated farmers' hoarding of foodstuffs, which were generally used as the currency of exchange. Farmers were neither permitted to keep more grain than their allowance nor to trade personally; however, they devised a variety of ways to conceal grain. In 1944, for instance, allegedly 70 per cent of the households in Haeman County in Chŏllanam-do successfully hid half of their crop, escaping the government's coercive food collection scheme (Kim 1981, quoted in Shin 1994: 1602). A Japanese researcher working for the Government-General at the time reported that there were 98 different ways in which grain had been hidden by Korean peasants (Higuchi 1998: 182-183). The methods discovered to be used by the farmers in Chŏllanam-do were:

a. Covering the paddy with grasses near a river in the mountains
b. Hiding it in the toilet
c. Mixing it with chaff
d. Covering it with fallen leaves in the garden
e. Concealing it under compost
f. Putting white rice in the bottom of containers and covering it with other grains
g. Leaving foodstuffs with people not engaged in farming

h. Concealing it in a bamboo grove
i. Covering it with branches in mountainous areas
j. Concealing it in the gap between the roof and the ceiling
k. Burying food containers in the ground and piling firewood on top

(Hōmukyoku keijika 1942b: 379)

The secretive, but not unusual, farm families' work after successfully hiding the grain was vividly described by a Korean farmer called Kwŏn (1898-1981) who lived in Kyŏngsang-pukto:

> People hulled [grain] in a mortar, usually during the dark of night so that they could avoid surveillance. We used to hear the sound of husking barley from many houses on sultry summer nights. Usually this was done by women, but sometimes the men helped them. The work had to be finished quickly so that they were not caught, even by their neighbours. Barley chaff and wheat bran were obtained in this way …
>
> (Kwŏn P. T'. 1984: 430)

Foodstuffs withheld by farmers were then transported to the cities and bartered on the black market for daily necessities, such as matches (Yi S. S. 2003b: 278). Farmers' trips to urban areas with their products were not uncommon, but the major direction of traffic was in the opposite direction: from the cities to the countryside. For example, Seoul citizens flowed out of the city from intercity bus terminals and major train stations: Kyŏngsŏng, Ch'ŏngnyangni and Yŏngdŭngp'o stations crawled with people smuggling foodstuffs between the city and suburban areas, especially at weekends and on holidays. Notwithstanding the dangers of arrest under the intensive surveillance of the economic police, they carried grain under their clothes and on their backs, as if the sacks were babies.[173] The rigorous police crack-down on illegal deliveries was also abused by crafty black marketeers. In 1943, for example, a man dressed as a policeman confiscated smuggled rice in the suburbs of Seoul until he was caught by a real police officer (Hōmukyoku keijika 1943: 19-20), and similar cases were frequently discovered throughout the country.

[173] 'Singnyang munje-wa kungmin-ŭi pansŏng 食糧問題와國民의反省', *Maeil sinbo*, 24 December 1942, p. 1; 'Paengmi milbanip isibip chŏkpal 白米密搬入二十叭摘發', *Maeil sinbo*, 22 September 1943, p.2.

As the war entered its final stages, black-market activities became common in daily life. Illegal transactions thus far concealed from the public eye came into the open. By 1945, individual black markets could be found throughout Seoul, including one of substantial size in the township of Hwawŏnjŏng.[174] Due to the thriving business at the market, a widespread rumour abounded that within the marketplace the breaking of official prices was no longer illegal and that people were free to buy and sell whatever they wanted. This groundless rumour attracted several hundred citizens to the market. The boom in business did not last long as a thorough investigation was soon implemented by Seoul's district prosecutors. Surprisingly, the two masterminds behind the scheme were the only people arrested. It was impossible for the prosecutors to apprehend the rest of the many black-market participants. All they could do to those gathered was to give an order to disperse, and exhort them not to resort to illegal transactions by appealing to their moral sense. Prosecutor Itō made a definitive statement: '[i]f a [large] black market like that of Hwawŏnjŏng was tolerated, efficient control over illegal trading might be possible, temporarily restraining the rise of illegal markets elsewhere. However, there is no doubt that another type of black market would emerge … No black market can be allowed…'.[175] Eventually, knowledge that the rumour was false spread and the black market was not legalized under the structure of the controlled economy. However, this incident shows that the prevalence of black markets was beyond the control of the authorities. Black marketeering became a part of their everyday lives.

The Japanese control methods – of pricing and rationing - originally implemented with the aim of ensuring the fair distribution of limited foods and preventing price increases, were unable to achieve their goals. Instead, the badly designed price-regulation and rationing system led to the subversion of official distribution channels. Moreover, a control mechanism that forced dedication and self-sacrifice on ordinary people in order to support the Japanese Empire at war was unacceptable. The outcome of Japan's ill-fated controlled wartime economy in its colony was a flourishing black market.

[174] Present-day Yegwan-dong in Chung-gu, Seoul.
[175] 'Amsijan-ŭn chŏltae purhŏ ch'onghu kyŏngje chilsŏ hwakpo-e toŭisim-ŭl katcha 闇市場은 절대不許銃後經済秩序確保에 道義心을 갖자', *Maeil sinbo*, 3 June 1945, p.2.

Escaping State Control after the Liberation

The establishment of the free rice market in October 1945 by the US military government, which occupied the southern half of liberated Korea from 1945 to 1948, caused economic chaos in the occupation zone for many years to come. In an effort to handle the acute food shortages and inflationary price increases, within a few months of the free trade policy for rice being implemented, the Americans reintroduced mandatory food rationing modelled after the Japanese wartime food management system. The state's overall control of staple distribution was maintained until February 1950 when the free trading of rice was partly legitimized by the South Korean government. The colonial food-rationing system remained almost completely intact for five years after Korea's liberation from Japanese rule (See 1.2).

It goes without saying that the extensive evasion of regulations which inevitably accompanied the Japanese control system dominated the lives of the Korean people. During the first years after independence, the Koreans suffered from both serious food shortages under the unstable food-rationing system and inflation. In such circumstances, the influence of the black market loomed ever larger. While the official price for twenty litres of rice increased from 186 *wŏn* to 229 *wŏn* between December 1946 and June 1948, the price on the illegal market rose from 880 *wŏn* to 1,870 *wŏn* in the same period (Song K. J. et al. 2004: 407). The worse the food shortage, the more rice was delivered to the black market, widening the gap between official and black-market prices.

The low price paid by the government to farmers under the rice collection programme was the biggest factor in farmers diverting their rice from official channels to the underground market. The estimated proportion of rice traded on the black market compared to total production grew from thirteen to fifteen per cent in 1946, to 29.4 per cent in 1947, and 24 per cent in 1948 (Kim C. S. 2000: 103). As of 1947, farmers' earnings from the above-mentioned 29.4 per cent of black-market rice sales constituted 67.9 per cent of their total sales income from rice (Chosŏn ŭnhaeng chosabu 1949: I-8). This profitable business on the black-market transactions was due to the wide gap between the prices paid by the US military government and those available on the black

market: the ratio of the former to the latter was just 12 per cent in 1945, 36 per cent in 1946, and 23 per cent in 1947 (see Table 1-6 in 1.2). The price policy of the South Korean government, which established in August 1948, was little different from that of the Americans. In 1948 and 1949, the cash farmers were able to receive from the government for their rice did not cover production costs. Producers were able to earn far more by trading on the black market.

Compelled to turn in their hard-won harvests to the authorities, farmers hid their crops by resorting to the colonial counter-measures that they had used in the past, and sold them at illegal markets (USAMGIK 1948: 45). For example, of the shady dealings of rice between farmers and the people in Seoul, where the majority of citizens were suffering from an acute shortage of rice, the *Tonga ilbo* newspaper of February 1946 observed that '[d]espite the authorities' severe punishment policy for illegal trading, there are mad scrambles to buy smuggled rice from farmers, no matter what the price, at each arrival of the train from the countryside into major train stations [in Seoul], including Kyŏngsŏng Station…'[176] Illegal trading took place continually between the producers and consumers in cities. Sometimes rice delivered from the countryside was bought by black-market dealers and stored in warehouses where huge volumes of rice collected through illegal methods were stockpiled. In many cases, such rice was not released onto the market until the price had risen.[177]

There was also widespread corruption within the food-rationing system that began in January 1946. People attempted to divert scarce food resources and participated in illegal trading in pursuit of their own interests. The most common irregularity was misdistribution by those involved in the rationing administration. As happened in the colonial era, sellers manipulated their books,[178] illegally hoarded rice for their own

[176] 'Singnyang-ŭi kin'gŭp sangt'ae chayu pan-ch'urib-ŭi chamjŏng-chŏk choch'ŏ-ka p'iryo 食糧緊急狀態自由搬出入의暫定的措置處가 必要', *Tonga ilbo*, 16 February 1946, p.1

[177] 'Radium' ch'ajŏ nokesso. Kyŏnggwan-ŭi yojŏng ch'ulip ŏmgŭm'라디움' 찾어놓겠소. 警官의 料亭出入嚴禁', *Kyŏnghyang sinmun* 京鄕新聞, 27 April 1949, p.2.

[178] 'Changbu-rŭl hŏwi chaksŏngk'o paegŭp ssal-ŭl hoengnyŏng 帳簿를虛僞作成코 配給쌀을橫領', *Tonga ilbo*, 11 December 1947, p. 2; 'Ssal paegŭpso t'aeban-i pujŏng 쌀 配給所의 殆半이 不正', *Kyŏnghyang sinmun*, 16 December 1947, p.2.

consumption,[179] mixed low-quality rice with high-quality rice so that they could charge a higher price,[180] and sold short measures to customers.[181]

Usually, these dubious activities were conducted on a small scale by individual shopkeepers who were trying to make a little bit of extra income, but it was not uncommon to find instances of systematic corruption. Crimes committed by employees of the Korean Foodstuffs Public Corporation (*Taehan singnyang kongsa* 大韓食糧公社) were frequently reported in the press. The Company was the successor to the Korean Foodstuffs Company, which had played a significant role in food rationing since its creation in 1943 by the colonial government. Under the US military government and Korean authorities' policy of reusing the Japanese food control system, by 1949, the organization had expanded to include 7,300 employees throughout the country who directly ran distribution stations and local grain shops through management contracts (Kim S. B. 2000: 154). In one example of corrupt practice in August 1948, the leader of the Inch'ŏn branch embezzled 68 bags (5.4 metric tons) of rice and 130 bags of barley (10.5 tons) after falsely reporting a fire.[182] Also in 1948, the head of the Kohŭng branch in Chollanam-do was arrested by the police for misappropriation of 1,000 bags (80 tons) of rice.[183] The mass fraud of those directly involved in distributing rations was a chronic problem which reduced the supply of rice for ration recipients, instead increased the huge 'ghost population' which I discussed in 2.2. Together with people's deep-rooted dislike of the Korean Foodstuff Public Company due to the image of the Japanese colonial government's coercive food collection, the malpractices of the employees was one of the most important reasons for its dissolution in October 1949.[184]

Another unmistakable flaw in the food-rationing system in liberated Korea was

[179] 'Pujŏng paegŭpsowŏn 不正配給所員', *Kyŏnghyang sinmun*, 28 January 1947, p.2.
[180] 'Kuksanmi-e yangssal sŏngnŭn paegŭpso 國產米에洋쌀섞는配給所', *Kyŏnghyang sinmun*. 31 August 1948, p.2.
[181] 'Mal sogin ssal changsu Ŏm Yun-sŏp tŭng-ŭl kŏmgŏ 말속인 쌀장수 엄윤섭 등을 검거', *Tonga ilbo*, 19 August 1949, p.2.
[182] 'Hwajae-e pingja yŏngdanmi hoengnyŏng 火災에憑藉 營團米橫領', *Kyŏnghyang sinmun*, 24 August 1948, p.2.
[183] 'Chŏnyŏ kama mŏgŭn yanggok p'yŏnch'wibŏm kŏmgŏ 천여가마 먹은 양곡 편취범 검거', *Chosŏn ilbo*, 12 September 1948, p.2.
[184] 'Yi taet'ongnyŏng t'ŭkpyŏl tamhwa 李大統領特別談話', *Kyŏnghyang sinmun*, 30 October 1949, p.2.

official corruption. Government-employee corruption scandals concerning the economic administration occurred so often that it was said by the Koreans that, '[w]e had been squeezed by the Japanese people and large landowners during the colonial era, under the US occupation we were exploited by government workers...' (Kim C. S. 2000: 88). The injustice caused by public employees was widespread both under the US military administration and the South Korean government. An article in the *Seoul sinmun* newspaper called for the government to correct the wrongdoings in the rationing administration, arguing that the food control system was tainted by its corruption and irregularities.[185] Government officials exercised their privileges in the allocation of grain to favour their friends and relatives, stole from collected foodstuffs, and diverted commodities, such as cotton, which were intended to be distributed to peasants as part payment for their products or as a supplement to their income.[186] Cases of bribery involving public servants and commodity distributors were frequently reported in the press.[187]

Charged with enforcing compliance with economic regulations, the police also engaged in unlawful behaviour, making a mockery of the food control system. In 1949 for instance, the police chief in Kyŏnggi-do diverted 30 bags (2.4 tons) of rice, 125 bags of barley (10 tons), and some firewood in collusion with illegitimate sellers and sold them on the black market in Seoul.[188] Many policemen were accused of keeping or reselling rice confiscated from citizens.[189] During just twelve months spanning 1946 and 1947, 2,857 government employees were found to be involved in 503 corruption cases. [190]

It might be true that the privileged could not resist the temptation to exploit their power, but in the media there were frequent discussions that argued that such widespread

[185] 'Ch'ugok sumae nonjaeng: mamyŏng 秋穀收買論爭: 馬鳴', *Sŏul sinmun* 서울신문 7 September 1948. Electric document, available at http://www.history.go.kr/url.jsp?ID=NIKH.DB-dh_008_1948_09_07_0030 (accessed on 25 February 2012)

[186] 'Ch'uguk maeib-ŭi wonhwal-ŭl wihayŏ 秋穀買入의圓滑을爲하여', *Tonga ilbo*, 30 October 1949, p.1.

[187] 'Tokchik kwalli Kang U-hyŏng kongmoja-wa hamke songch'ŏng 瀆職官吏姜禹馨 共謀者와함께送廳', *Tonga ilbo*, 1 May 1947, p.2.

[188] 'Chŏn Yangp'yŏng kyŏngch'al sŏjang Kim Ki-ok kiso 前楊平警察署長金基玉起訴', *Tonga ilbo*, 10 February 1949, p. 2.

[189] 'Kingnyanggo-ŭi pot'ongi ssal 食糧苦의 보통이쌀',*Tonga ilbo*, 23 March 1946, p.2.

[190] ' Kwalli-ŭi pŏmjoe pangjich'aeg-ŭro ssal ojak t'ŭkpae hara 官吏의犯罪防止策으로 쌀 五勺特配하라',*Tonga ilbo*, 23 November 1947, p.4.

embezzlement by government workers resulted from their meagre earnings. As of 1948, for example, the monthly income of a civil servant was between 3,000 *wŏn* and a maximum of 5,000 *wŏn*. Given that the black-market price of rice (eight kilograms) was 1,500 *wŏn* in August 1948[191] and 1,900 *wŏn* by January 1950,[192] their salaries do not seem to have been high enough to support family life. The price situation of post-colonial Korea more clearly reveals the hardships they might have faced. If the price index in 1936 was 100, the wholesale price index of November 1949 had grown to 108,000. Specifically, the price index for cotton was 392,800, for firewood was 392,800, for rice was 77,700, and for newspapers was 30,000. Despite such price rises, the increase in the wages index, during same period, was relatively low: for teachers it was 28,545, for salaried workers it was 23,846, and for government employees it was just 19,000.[193] Government employees could not live on just their legitimate incomes, instead they were forced to sell their properties or turn to corrupt practices (Liem 1949: 79).

The government's low-wage policy for public servants was part of a hedge against inflation. As discussed in 1-2, inflation had annoyed the post-war authorities of Korea, and a wide range of economic policies were established to handle the problem. However, the post-colonial authorities recruited so many employees[194] that the size of their salaries was severely limited. In the year after Korea's liberation, the size of the police force nearly doubled in the US occupation zone: the number of policemen increased from 20,000 for the entire Korean peninsula to 25,000 in just the south (Cumings 1981: 166). By 1953, the South Korean government was employing three times as many officials in its half of the peninsula as the Japanese had during their rule over its entirety (Henderson 1968: 161). Despite the ordinary people's dissatisfaction with the salary policy for

[191] 'Orŭnŭn ssal kap 오르는 쌀값', *Kyŏnghyang sinmun*, 3 August 1948, p.2.
[192] 'Paekpan p'anmae-rŭl ŏmgŭm ttŏk, yŏt tŭng-do mandŭlji mot handa sigyŏng-sŏ chŏlmi ch'ŏlchŏ-rŭl sidal 白飯販賣를嚴禁 떡,엿等도만들지못한다 市警서 節米徹底를 시달', *Tonga ilbo*, 14 January 1950, p.2.
[193] 'Singnyang, ŭiryo, yŏllyo tŭng-ŭi mulkachisu-wa minsaeng 식량·의료·연료 등의 물가지수와 민생', *Kukto sinmun* 국도신문, 24 December 1949. Electric document, available at http://www.history.go.kr/url.jsp?ID=NIKH.DB-dh_015_1949_12_24_0060 (accessed on 26 July 2012)
[194] Cumings explains that the reason for this policy was to enhance the government's control over social disorder, and especially to weaken the strength of the Korean left in the US occupation zone. See Cumings 1981: 158-169.

government employees, due to it being the principal factor behind the widespread official corruption,[195] the authorities maintained their stance, arguing that higher wages would cause inflation.[196] The US military government's policy of low salaries for government workers, inherited by the South Korean government with its establishment in 1948, was criticized by Koreans as one of the major failures of its administration (Liem 1949: 79).

As a counter-measure against their jobbery, a special food rationing scheme, in which some public workers were entitled to receive more rations than other citizens, was introduced in 1947 by the US authorities. For example, employees who worked for government organizations and policemen were entitled to extra ration with a maximum of 2.5 *hop* (approximately 360 grams) as a daily ration (Kim C. S. 2000: 95). This system of special ration was maintained by the South Korean government. Even when the ration population was drastically reduced in April 1949 due to the failure of the Korean government's rice collection, they were still able to remain within the list of rationing recipients, as I explained in 1.2. However, the scheme was not successful enough to eradicate widespread malpractice. Government employees' continuously abused their positions of power, took advantage of the system, and participated in illegal activities. The authorities' policy to curb inflation by limiting people's salaries forced them to participate in the black market more and more, and eventually led to further serious inflation (Liem 1949: 79).

The black market, which grew steadily from a flaw in the Japanese wartime food policy and loomed larger as it became established in mainstream society, offers a concrete example of how the centralized food controls affected and changed the everyday lives of the people. It was inevitable that the black market continued to dominate the lives of people in liberated Korea while the Japanese economic system remained intact. As I have discussed in the closing paragraphs of section 1.2, the US government's reuse of the Japanese administrative apparatus in its occupation zone was a practical and convenient decision. However, this caused further deterioration in the food situation in post-colonial

[195] 'Choejŏ saenghwal pojang-ŭi kŏnŭi 最低生活保障의建議', *Tonga ilbo*, 29 October 1948, p.1; 'Kwan'gongni saenghwal munje 官公吏生活問題', *Tonga ilbo*, 3 February 1949, p.2.
[196] 'Ch'wijik haesŏ ton pŏlla 就職해서돈벌라', *Kyŏnghyang sinmun*, 31 January 1947, p.2

Korea. The ill-constructed food control system, accompanied by its unavoidable by-product – the black market – was revived under the framework of the US authorities' controlled economy, and inherited by the South Korean government. Food became scarce in official distribution channels, instead changing hands in shady ways which offered vast opportunities for profiteering. Out of greed or desperation, a growing number of people engaged in illegal transactions, and black markets flourished during the first years of liberated Korea. The invigorated black market in post-colonial Korea was a colonial legacy which was revived with the reuse of the controlled economy.