

Abstract

### **Currency Reform of North Korea: Facts and Assessment**

The purpose of this paper is to evaluate the events of currency reform that occurred in November 2009 and provide background knowledge to predict the future economy of North Korea. An important component of this reform entailed a process consisting of foreign currency ban, closing of general markets, and other physical prohibition that was pursued in parallel with conservative economic policy. Considering the impact of this policy, it can be evaluated as the new economic management measure, comparable to the July 1 Economic Measure of 2002.

Examining the four months of progress, one cannot help but notice the flustered actions of the North Korean government. What is even more obvious is the skyrocketing of prices and exchange rates, reduction of product trades including food, and the reopening of markets only after 15 days of closure. These examples are sufficient evidence to question the economic management abilities of North Korea.

However, it is still premature to conclude the currency reform to be a complete failure. The government largely increased the pay and cash distribution to its laborers and farmers through the revenue collected from the reform. Although it was a one time deal, it is an achievement for the North Korean government, by reassuring and leaving an impression on its people that those that obey the regime will eventually be compensated in one way or another.

In addition, there are unpredictable changes dependent on its future actions. In particular, if it takes on its international relations with the U.S. more assertively and seriously, it could succeed in obtaining foreign assistance, and ultimately avoid its collapse.

The currency reform of North Korea has disclosed to the world, of its changing domestic and international economic policy. This reform is still in progress, showing its new attempt at economic management.

**Key words:** North Korea, Currency Reform, Dollarization, Market, Inflation