

DPRK Inequality Report

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Executive Summary

Data

No primary data were available for analysis. Instead, a literature review of the Democratic People's Republic of Korea (DPRK, i.e., North Korea) inequality and stability is summarized.

Results

Primary data on North Korean inequality are not available. However, anecdotal information and innovative means of tracking resource flows indicate that the DPRK may be by far the most unequal society in the world, with a small elite (less than 10%) controlling virtually all wealth, leaving the rest of the population at barely or below subsistence level.

Significance for Risk Taking and Stability

Since the vast majority of the population is probably at near equal levels of impoverishment, they are probably risk averse toward one another, since there is no status to be gained or lost. Because the elite control the existence of the population in this totalitarian society, the population does not have the means to challenge elite control. Therefore, at this time, the risk sensitivity of the population at large is probably not relevant to state stability. Because wealth is concentrated at the top and the state uses material rewards (income, apartments, luxury goods) to incentivize party members, there is likely intense competition and risk acceptance among elites. Rumors of coup plots among these elites indicates that extremely high levels of risk acceptance exist in this segment of DPRK society.

Implications for US Interests

While the risk sensitivity of the population may not be relevant to US interests, the likely risk acceptance of the elite could open the possibility for elites (military officers, high ranking party officials) to challenge central state authority. However, because central party figures punish perceived and real challenges harshly, it is difficult to gauge the extent to which elite risk acceptance could translate to challenges to the central party and the Kim family.

Implications for China's Interests

China faces the same dilemma regarding risk sensitivity of North Koreans as does the US. It is illustrative that Kim Jong-un is reported to have executed one of China's key links to the DPRK government, his uncle Jang Song-thaek, who may have been involved in a coup plot (rumored to have involved Kim Jong-un's half-brother and China). The execution of Kim Jong-un's uncle and half-brother demonstrates the absolute control the Kim family exercises over all in the country.

Implications for Russia's Interests

North Korean inequality has the same implications as China and the US, but because events concerning the DPRK have less impact on Russia, any consequences have less effect on Russian interests.

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Introduction

This is a summary report on inequality in the DPRK compiled as part of the Aggrieved Populations project conducted in support of the 2019 Strategic Multilayer Assessment (SMA) Future of Great Power Competition and Conflict project conducted for the JS-J39.

This report provides background on why the country was chosen, relevant historical background, literature review concerning inequality in the country, synopses of empirical data sources and analyses, and a concluding section that summarizes the findings. It is not intended to provide a comprehensive analysis of inequality and grievance in the country, but to place the empirical analyses conducted on this country in their social and political context and to highlight interesting cases of inequality pertinent to risk acceptance and great power competition. The analyses focus on the measurement of population risk sensitivity as a function of measured inequality using the Arrow-Pratt measure of risk aversion, whose positive values indicate risk aversion and negative values indicate risk acceptance. Studies have shown that risk acceptance is associated with social unrest, terrorism, and other forms of social disruption (Kuznar 2007; 2019). The full explanation of the underlying method and theory is presented in the summary report, *Inequality, Risk Sensitivity and Grievance in Context: Summary of Aggrieved Populations Country Reports*, submitted as part of this SMA project. This report is intended to be supporting material to that report and presumes familiarity with it.

In order to create an inclusive and more representative set of countries, an effort was made to analyze countries from each major region of the world (Africa, Central Asia, East Asia, Europe, Latin America, the Middle East, North America, South Asia).

Why DPRK?

DPRK was chosen for three reasons: 1) It is a US adversary, 2) it is playing a key role in destabilizing the North Asian region, 3) it has deep ties with China, and 4) both China and Russia are seeking influence in the country and region.

Great Power Interests in DPRK

Ever since its birth in 1948, DPRK has had an antagonistic relationship with the US. DPRK was founded on explicitly communist principles and was initially backed by the Soviet Union, and therefore was a sworn and born enemy of the US and Western powers. The Korean War solidified North Korea's position as an adversary as not only was it supported by the Soviet Union but was saved by a massive Chinese military intervention. Officially, the United States and North Korea have been at war ever since. During this time, North Korea's founder, Kim Il-sung, established a dynasty and a unique North Korean state religion/philosophy, Juche, that combines filial duty with Stalinist communist principles, the concept of eternal revolution against the West, and a personality cult around the Kim family that demands absolute obedience (Armstrong, 2005; Oh & Hassig, 2000). North Korea has always been an active threat against the US allies South Korea and Japan, but this threat intensified when it began pursuing nuclear capabilities that threaten the region and now, the United States itself. US interests have most recently been codified in the Trump administration's call for complete verifiable and irreversible denuclearization. No other country is as completely defined as a US adversary as DPRK and it is a pariah country in the world. Its only official ally is China, based on the 1961 Sino-North Korean Treaty of Friendship, Cooperation, and Mutual Assistance (Albert, 2019).

Internally, the state appears to be stable due to a number of buffers against divisive forces, including state control of foreign trade, a unifying ideology, a tightly controlled single political party and the means to quell dissent and the will to use it (Pagano & Kuznar, 2018). Coup plots are rumored, but Kim Jong-un represses any dissent extremely harshly, including executing his uncle and half-brother.¹ However, the state's ability to survive without massive aid from China, the US, and Japan is questionable (Albert, 2019; Feng, 2017; Scobell, 2017).

China's interests in DPRK have been summed up as: "no war, no chaos, and no nukes" (Scobell, 2017). An all-out war between the US and DPRK brings the possibility of the US extending military control to China's doorstep. A collapse of the DPRK regime from within brings the possibility of a massive humanitarian crisis with millions of refugees pouring into northern China. Finally, China does not want a nuclear North Korea who might destabilize the region and upset China's growing economic and political influence in the region. North Korea's bellicose behavior is therefore problematic with China and Chinese officials have even balked at the notion that China must defend DPRK under all circumstances as a result (Albert, 2019; Feng, 2017). The situation that appears to serve China's interests best is a status quo of tensions short of war between DPRK and the US and its allies, because this maintains China's relevance and influence and maintains DPRK as a buffer state between the US and its allies (Astorino-Courtois & Bragg, 2018; Glaser & Sun, 2015).

Russia was the DPRK's first ally, but after the collapse of the Soviet Union, has been relegated to a secondary role. Russia's primary interests in DPRK include stabilizing its neighboring countries, containing US influence in the region, enhancing Russia's prestige and political influence by being involved in negotiations, and expanding into the Asian marketplace (Astorino-Courtois & Bragg, 2018). These goals are consistent with a larger Russian strategy in Asia (Rozman, 2018).

Literature Review on Inequality in DPRK

Brown (2018) postulates that per capita GDP is between \$700 - \$2000, which would make DPRK a poor country. He furthermore points out that most GDP is spent on government elites and the military, which would greatly diminish the amount available to the rest of the population and therefore decrease this figure substantially, possibly making common North Koreans among the very poorest in the world. Patterson (2017) describes how both formal and informal DPRK institutions entrench inequality and subvert communist principles of uplifting the masses. Songbun is an official caste system based on the positions of families during the Korean war, favoring party members, military veterans, and holding suspect or vilifying those whose families opposed Kim Il-sung (Collins, 2012; Patterson, 2017). Benefits such as preferential access to education and material wealth are given to preferred castes. During the 1990s, DPRK leadership allowed farmers to sell some of their crops in order to counter widespread famine. Farmers markets, Jamangdan (Patterson, 2017), grew as well as other small-scale businesses, leading to a class of wealthy mercantilists known as donju (Haggard & Noland, 2010). Finally, Pyongyang is the seat of power, and perks for party members, such as better salaries, apartments and luxury goods are concentrated in the city, therefore concentrating wealth among an urban elite (Patterson, 2017).

¹ See <https://www.telegraph.co.uk/news/2017/08/24/did-kim-jong-un-kill-uncle-brother-coup-plot-involving-china/> for a description of the plot, which is rumored to have involved China as well.

One innovative study used satellite data on nighttime lighting in the DPRK to track the effect of sanctions. As sanctions have been applied, lights and therefore resources shifted from rural areas to cities and border towns where trade with China is conducted, as well as mining and manufacturing locations (Lee, 2018). Pyongyang of course receives the lion share of lighting. Lee (2018) argues that this indicates how government elites, traders, and those in mining are effectively buffering the effects of sanctions, literally and economically leaving the rest of the country in the dark and exacerbating existing inequality. Because the state has totalitarian control and is willing to use its power ruthlessly, the possibility of a popular insurrection against this unequal system is remote (Pagano & Kuznar, 2018). The scant evidence that exists indicates that the DPRK is an extremely unequal society and that inequality is probably increasing.

Country-Level Measures of Inequality in DPRK

DPRK will be initially assessed with a collection of country-level metrics. These metrics provide measures of the country's inequality compared to other nations, inequality within the country, social conditions that may be consequences of that inequality, and the prognosis for stability in the future (**Error! Reference source not found.**). Because DPRK does not report internal statistics to world organizations, there are no official data on per capita GDP, human development, Gini coefficients, or the informal economy. Brown (2018) suggests that nearly half of all transactions are now outside of the government centrally-controlled economy, implying the growth of a large informal economy. However, the size of these transactions is unknown and therefore no estimate of the size of the informal economy, or the percent of total informal employment is not possible.

Table 1. DPRK: Basic Statistics on Inequality

Measure	Value	Rank	Source
Inequality Compared to Other Nations			
Per Capita GDP 2018	Est. \$700 - \$2000	175-140 of 187	Brown 2018
Country Measures of Inequality			
Inequality-adjusted Human Development Index (IHDI) 2018	--	--	
Gini Coefficient	--	--	
Informal Employment as % of Total Employment	--	--	
Measures of State Instability			
Fragile States Index	93.2	28 of 175	FFP
Terrorism Index	0	135 of 160	IEP
Probability of Mass Killing	0.028	23 of 161	EWP
Risk Sensitivity			
Average Arrow-Pratt Measure			
<p>*EWP – Early Warning Project, FFP – Fund for Peace, IEP – Institute for Economics and Peace, ILO – International Labor Organization, UN – United Nations, WB – World Bank</p> <p>-The Inequality-adjusted Human Development Index (IHDI) is a UN measure of well-being and is a scale based on per capita GDP, life expectancy and education levels of the population.</p> <p>- The Fragile States Index is based on twelve conflict risk that include security apparatus, factionalized elites, group grievance, economy, economic inequality, human flight and brain drain, public services, state legitimacy, human rights and rule of law, demographic pressure, refugees and IDPs, and external interventions. The potential range of the index is zero (no fragility to 120 total fragility).</p> <p>- The Terrorism Index scores each country on a scale from 0 to 10; where 0 represents no impact from terrorism and 10 represents the highest measurable impact of terrorism.</p>			

DPRK scores very high on the fragile states index. However, the assumptions underlying the metrics may not apply in North Korea's unique context. For instance, a military not under civilian control is considered a liability for most states (FFP), but in the case of DPRK, the singular tie between leadership and the military is actually a buffer against effective dissent (Kuznar, 2018). Nationalistic rhetoric by leadership is likewise considered a liability for stability (Pagano & Kuznar, 2018), but in an ethnically monolithic society such as DPRK, nationalism creates a unifying national identity. Likewise, open elections are considered stabilizing but in a society with true totalitarian rule, elections are moot. Finally, external intervention is a liability for stability but China's financial and political support of the DPRK regime, not to mention aid from the DPRK's adversaries such as the US, South Korea, and Japan, has been essential in stabilizing a society that otherwise would have starved out from underneath itself.

DPRK scores a zero on the terrorism index. State control is so complete that within the country there is no known terrorism. Recently, a rebel organization known as Joeson Korea (formerly Cheollima Civil Defense) stormed the North Korean embassy in Spain, roughing up officials and stealing documents and computers.² This incident stunned the world. However, North Korea otherwise is known for assassinating dissidents, even abroad, most notably Kim Jong-un's half-brother Kim Jong-nam.

DPRK scores very highly on the probability of mass killings by the state, and this makes sense. Reports by refugees record mass incarceration and execution of dissidents and their families for the slightest infractions.³

Prognosis for Change to 2029

North Korea has existed as a totalitarian state for 70 years, and as a totalitarian state that exists only through massive aid effectively extorted from China, the US, and others for the past 25 years at least. As long as the regime maintains its repressive control of its population and receives aid to keep its population from starving, then it can probably continue to exist as it has for the past decade and a half and no change should be expected.

Empirical Data on Inequality in DPRK

There are no empirical data available that would permit the estimation of risk sensitivity values for DPRK.

Findings on Inequality in DPRK

Relevance to Instability and Social Cleavages

North Korea may very well be the most unequal society in the world, with a very small minority of elites and party members siphoning off nearly all of the wealth not used to maintain the state apparatus and military, relegating the rest of the population to bare subsistence or starvation. Such a starkly unequal distribution of wealth would probably be considered a formula for revolution, but as Apolte (2012) argues, the theory that inequality leads to revolution is seriously flawed on a logical and analytical basis, and empirically, revolutions are commonly lead by elites (Brinton, 1964; Kuznar, 2002, 2007). The North

² The alleged rebel group: <https://www.newsweek.com/north-korea-rebel-group-visas-kim-1374111>

³ Reports of human rights abuses can be found in: <https://www.hrnk.org/publications/hrnk-publications.php>;
<https://www.ohchr.org/EN/HRBodies/HRC/ColDPRK/Pages/CommissionInquiryonHRinDPRK.aspx>

Korean state also maintains effective totalitarian control, easily suppressing any dissent from the populace or elites.

Opportunities and Pitfalls for the US and Adversaries

DPRK in a sense weaponizes its extreme inequality by holding its population hostage, forcing other countries who either desire stability on the Korean peninsula and/or out of humanitarian concern, to provide the government with aid without which the DPRK would collapse. Economic sanctions designed to put pressure on the elite leadership appear to be buffered by drawing more resources away from the population, exacerbating DPRK's already apparently extreme inequality. Internally, the DPRK maintains control through extremely repressive means at its disposal. This situation is troublesome for the US, China, and Russia, but in different ways and to differing degrees.

US

The US has declared complete verifiable and irreversible denuclearization as its goal and wants to avoid war on the Korean Peninsula. DPRK's extreme level of inequality poses a dilemma for the US. The US has led the use of extreme sanctions to pressure the regime to denuclearize, but has also used humanitarian aid as an inducement to negotiate. These are contradictory, especially as the regime apparently only siphons off resources from the population to mitigate the effect of sanctions.

China

China has different interests than the US, but DPRK's extreme inequality poses a similar dilemma. China wants DPRK to curtail its nuclear program and stop provoking the West, which threatens other Chinese interests, but also wants to prevent a total collapse that might send millions of refugees across the border. Therefore, China is basically forced to provide aid to its troublesome neighbor.

Russia

Russia also desires stable neighbors, including DPRK. However, Russia appears less impacted by DPRK's actions and stability, and is therefore less impacted by its inequality.

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