



Cotton Cloth Trades, Currency Reforms, and Inflation: Korean Experiences of the Industrial Revolution from 1883 to 1897

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Keywords: trades, history, Industrial Revolution, cotton

Cotton cloth was one of the first industrialized products in the world. Through machine-made cotton fabrics during the Industrial Revolution, people were able to access cheaper and superior quality fabrics than traditional homemade fabrics. Koreans were exposed to machine-made cotton cloth through Japan, who was eager to find new marketplaces for her industrial products. Korea signed the Japan-Korea Treaty of 1876, agreeing to open trades. Through this treaty, Korean consumers experienced a flood of foreign industrial products, and these products fundamentally changed Korean society. This research traced the changing patterns of import cotton cloth prices, compared those with domestic cotton and silk cloth and rice [the most basic necessity food item], to understand how Koreans responded to the force of the Industrial Revolution. For this purpose, we reviewed *Sijiktambo* [Report on the market] published in *Hanseong sunbo* [Seoul report issued every ten days] and *Hanseong jubo* [Weekly Seoul report], and *Mulga* [Prices] reported in *Dongnib sinmun* [Independence newspaper]. The results revealed interesting patterns of commodity prices in four different periods.

Period I: October 1883 – October 1884. The price of import cotton cloth was three times higher than that of domestic cotton cloth, while import cotton cloth was similar to or slightly higher than domestic silk cloth. During this period, fabrics were sold and traded per *Ja* [the unit indicating the length of 46.8 cm or approximately .5 yards] in Korea (Lee, 2008). Import cotton cloth was sold at approximately 6 *Jeon* [a Korean currency during that period] per *Ja*, while domestic cotton cloth was at 2 and silk cloth was at 5 *Jeon*. At the same time, 1.8 liters [approximately .48 or half of a gallon] of rice were traded at 7.5 *Jeon*. Clearly, import cotton cloth was a luxury item during this period.

Period II: January 1886 – January 1888. The prices of all of these products tremendously increased during this period. Import cotton cloth was sold at 11 *Jeon*, almost twice as expensive as in October 1884. The price of domestic cotton cloth also increased from 2 to 7.8 *Jeon*, and that of silk cloth from 5 to 10.7 *Jeon*, between October 1884 and January 1886. A similar trend in rice was also observed as it was sold in the range of 9 and 23.7 *Jeon* between January 1886 and January 1888. The new currency, *Dangojeon*, first circulated by the Korean government in 1883 and 1884, was also a blame for inflation as its “face value was five times higher than the previous currency, *Yubjeon*, yet the true purchasing power was just twice higher” (Ha, 1999, pp. 41-42). This ineffective currency reform caused a steep inflation in commodity prices.

Period III: April 1896 – June 1896. Korean consumers experienced a highly inflated, abnormal economy during this period. The prices of Korean silk cloth and rice were more than double of those in January 1888. Political and social instability were believed to be a cause for this abnormal economy as the wife and Queen Consort of the Korean King *Gojong* was found murdered in 1895 by an unknown entity, although some thought she was assassinated by the Japanese government, and Koreans were forced to get their hair cut to look like the Westerners under the new law called *Danbalryung* (Kim, 2006) in 1895. These events led to multiple huge riots, and merchants avoided markets in Seoul, as they were afraid of being caught and having their hair forcefully cut by the Korean militants (Kang, 2007). The lack of supply due to fewer merchants in Seoul was believed to be another cause for inflation in 1896.

Period VI: October 1897. By October 1897, all the prices of cloth and rice finally settled down to the level of the Period I. Import cotton cloth was sold at 3.7 *Jeon*, 63% cheaper than the 1886/1888 period. Similarly, domestic cotton cloth, silk cloth, and rice were sold at similar prices before market disruptions took place. The interesting point here is that the prices of import cotton cloth were falling at a much faster rate than other products did. That is because of both increased demand due to Koreans' strong preference toward silk-like import cotton cloth and increased supply from Japan. Indeed, by the late 1890s, "even people in rural areas were able to access to Japanese cotton cloth," indicating it is no longer a luxury item (Ha, 1999, p. 49).

In this study, historical documents were reviewed and analyzed to gain a better understanding of price change patterns, including inflations and hyperinflations, when one of the first industrialized products, cotton cloth, was introduced to Korean consumers. Shortly after the Japan-Korea Treaty, Koreans experienced a highly inflated, fluctuating, abnormal economy, not only from cheaper, superior quality products from industrialized countries, but also from ineffective currency reform and political instabilities. The study results show the glimpse of a chaotic society when the country was forced to open the market without proper preparation or mechanism to control inflation. Further research is recommended to understand the impact of international trades in the late 19th century when the world was opening up to industrialization.

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