



DOI: 10.22363/2312-8127-2023-15-4-403-412  
EDN: EGZSQK

Research article / Научная статья

## Transplantation and adaptation of the Soviet economic model in North Korea, 1945–1960

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**Abstract.** The North Korean development model holds distinct similarities to the Soviet model. The Soviet Union’s experience and example played a key role in the initial nation-building in North Korea. However, as this study aims to argue, in the certain areas such as the economy, the transfer of the Soviet model to the Korean soil was often done against the direct Soviet advice. This study based on analysis of primary sources including declassified archival materials traces the entrenchment in North Korea in the 1940s–1950s of the key elements of the “classic” Soviet economic model such as directive centralized economic planning, nationalization, industrialization and prioritized heavy industry development and collectivized agriculture. Such research contributes to the better understanding of the economic and political processes in North Korea in the first post-liberation decades, of its economic system and relations with key political and economic allies in the Cold War.

**Keywords:** North Korea, Soviet Union, economic model, Soviet economic model, 1940s, 1950s, nation-building

**Article history:** Received: 17.04.2023. Accepted: 10.08.2023.

**For citation:** Matveeva NI. Transplantation and adaptation of the Soviet economic model in North Korea, 1945–1960. *RUDN Journal of World History*. 2023;15(4):403–412. <https://doi.org/10.22363/2312-8127-2023-15-4-403-412>

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## Трансплантация и адаптация советской экономической модели в Северной Корее, 1945–1960 гг.

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**Аннотация.** Северную Корею (КНДР) часто сравнивают с СССР, отмечая сходство двух моделей. Опыт и пример Советского Союза сыграл значимую роль на начальном этапе формирования КНДР. Однако, как показывается в исследовании, в ряде сфер, таких как экономика, перенимание опыта шло вопреки воле и советам самого СССР. На основании сравнительного анализа первичных источников, включая материалы из советских архивов, рассматривается, как ключевые элементы советской экономической модели — директивное централизованное планирование, национализация, индустриализация и упор на тяжелую промышленность, коллективизация сельского хозяйства — были трансплантированы и адаптированы в КНДР в конце 1940-х — начале 1960-х гг. Подобное исследование помогает лучше понять процессы, происходившие в Северной Корее в первые десятилетия после освобождения, экономическую систему КНДР и специфику отношений Северной Кореи со своими политическими союзниками в годы холодной войны.

**Ключевые слова:** Северная Корея, СССР, экономическая модель, советская экономическая модель, 1940-е гг., 1950-е гг., государственное строительство

**История статьи:** Поступила в редакцию: 17.04.2023. Принята к публикации: 10.08.2023.

**Для цитирования:** *Matveeva N.I.* Transplantation and adaptation of the Soviet economic model in North Korea, 1945–1960 // Вестник Российского университета дружбы народов. Серия: Всеобщая история. 2023. Т. 15. № 4. С. 403–412. <https://doi.org/10.22363/2312-8127-2023-15-4-403-412>

### Introduction

The Democratic People's Republic of Korea (DPRK), more colloquially known as North Korea, is typically presented in media and popular literature as “the last island of communism” and compared to the Soviet Union<sup>1</sup>. Scholars note the distinct similarities between the two models [2, 3]. However, it is often assumed that such resemblance was initiated by the Soviet side [4, 5] and originated in its desire to make North Korea into a copy of itself in the Far East. This article aims to dispute that approach through the example of the economic sphere and the formation of North Korea's economic model in the 1940s–1950s. The author explores the formation of the North Korean economic model in the first post-liberation decades

<sup>1</sup>This is especially typical of the Western media and publications, see e.g. [1].

basing its analysis on the recently declassified documents from the Soviet archives and the publications and public speeches of North Korea's leader Kim Il Sung. It traces the process of transfer and adaptation of the Soviet economic model at the DPRK soil as well as the role of the Soviet Union in that process.

### **Initial stage of nation-building: the 1940s**

North Korea emerged as a separate entity in 1945, in the aftermath of the dissolution of the Japanese Empire, when the Korean peninsula was divided by the Allies, the USA and the USSR, into two occupational zones (American to the south of the 38<sup>th</sup> parallel, and Soviet to the north).

The Soviet Civil Administration was established in August 1945 to manage the matters of administration and governance in the Soviet zone in Korea. However (as the archival documents show), the Soviet Union did not see North Korea becoming socialist in the near future nor did it want it too. Assessing the circumstances, the Soviet leadership concluded that Northern Korea was not yet developed enough for transition to socialism, and before that it should prepare the necessary conditions and build “people's democracy” first. I. Stalin himself explicitly ordered Marshal A. Vasilevsky (the Head of Command of the Soviet Army in the Far East) that “no Soviets or other organs of Soviet power” were to be created in Northern Korea nor should “the Soviet order” be introduced there [6, 7].

However, there were areas that required immediate attention of the Soviet administration, purely for the reason that without them the country could not function properly. Economy was one such area.

Thus, the economic reforms were started under and by the Soviet civil administration which explains their initial resemblance to the Soviet model: the latter was simply what the Soviet officials in charge of Northern Korea had the most knowledge and experience. However, the changes initiated by the Soviet side were enthusiastically met not only by the people but also by the emerging North Korean authorities. Kim Il Sung, paving his path to the making of the Great Leader of North Korea, saw “compelling parallels” between the situation, objectives, and needs of the Soviet Union in the 1930s and Northern Korea and later — the DPRK [8. P. 58]. He was determined to transfer the Soviet Union's experience and economic model to the Korean soil. In the eyes of Kim Il Sung, the Soviet Union's victory over the Nazi Germany in World War II was clear proof that the Soviet economic model of the 1930s was not only viable but optimal for building a strong national economy and an independent country. And as such, it should be adopted and transferred in North Korea to transform it into a socialist state.

The characterizing features of the “classic” Soviet model, formed in the USSR in the 1930s, are considered to be: directive centralized economic planning; nationalization of all means of production, including land, infrastructure, industry; forced industrialization with emphasis on the heavy industry, often

to the detriment of other areas; collectivization of agriculture; and the overall autarky of the economy [9]. All that and more was implemented in North Korea in the first post-liberation decades. However, as this article aims to demonstrate, not all of those features appeared in the North Korean model by the will of the Soviet Union.

For a mostly agrarian country, which North Korea still was after the liberation, the matter of land ownership was of utmost importance<sup>2</sup>. For that reason, one of the first decrees of the Soviet administration (officially credited to the Provisional People's Committee of North Korea, created in February 1946) to boost its image and authority, was the Land reform law. There were being discussed several variants of it, including more "bourgeois-democratic" ones [See 11], but the one adopted on March 5, 1946, closely resembled the Soviet Decree on land (from 1917). It stipulated confiscation of land without compensation from the former Japanese and Korean landlords as well as its distribution without payment to former peasant tenants [12]. And yet there were differences, accounting for the differences in circumstances. Thus, for example, in contrast with the Soviet Decree on land, the North Korean land reform retained private ownership of land and provided the former landlords with the same amount of land as was given to the peasants<sup>3</sup>. The latter actually evoked discontent not only within peasants but also of the emerging North Korean authorities who wanted to follow the Soviet revolutionary example closely. Yet as they were not the decisive power in North Korea, they had to acquiesce.

The same principle was retained adopting the Nationalization law. The Decree of the Soviet administration from June 19, 1946, followed the Soviet example from 1917–1918. It stipulated the transfer of all industries, banks, communications and infrastructure existing in the northern half of the Korean peninsula as well as of all former Japanese property there into the possession of the Provisional People's Committee when it adopts the Nationalization law which was done in August 1946 [13]. From the start, priority in the industrial development was given to the heavy, chemical and machine-building industries, as Kim Il Sung believed that their development was the road to socialism [14. P. 323–326].

Another step towards adopting the Soviet economic model was done in 1947, when was introduced the centralized planning of the national economy under the guidance of the Soviet administration (though by initiative of the North Korean provisional government). Simultaneously the central planning organ was established, which in 1948 became the North Korean Central Planning Committee. Kim Il Sung himself declared that "only when all fields of the national economy including industry, agriculture, transport, communications, and trade are run to a single state plan, can the economy be restored and developed really fast" [15. P. 79].

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<sup>2</sup> Even in 1956, peasants still comprised over two thirds of the population. See [10].

<sup>3</sup> Private land ownership was abolished only in the late 1950s.

Overall, by the combined effort of the Soviet civil administration in Northern Korea and the provisional North Korean authorities, by 1948 and the official establishment of the Democratic People's Republic of Korea (DPRK) the economic system created there quite resembled the "classic" Soviet model. There was established a centralized planned economy, where the state (and essentially the party and its leader) owned and controlled the distribution of all resources, prioritizing heavy industry development to the detriment of the light industry and agriculture.

However, it should be noted that on the Soviet side the resemblance was dictated not so much by a conscious decision to form North Korea in Soviet shape, but by necessity and circumstances. The Soviet Union never insisted that North Korea should adopt the unabridged version of the 1930s model, not adapted to either the times or to the Korean realities. On the contrary, like with Eastern Europe after World War II where an attempt was made to modernize the model, retaining the key Stalinist concept of the centralized economic planning but modifying the agricultural policy and limiting nationalization [16], the Soviet Union advised North Korea to adapt the model. Already by the 1940s the Soviet leadership did not see the 1930s model as an optimal for the development of "fraternal countries". Stalin himself advised Kim Il-sung not to copy thoughtlessly the Soviet experience but conduct a more moderate economic policy in agriculture, trade and with regards to the sphere of public consumption. He also advised the North Korean authorities to support the "good people" among "national bourgeoisie" [17] (when even the mere existence of a "national bourgeoisie" was almost unthinkable in the Soviet Union itself) and expand economic contacts.

Yet at the same time, in the interest of objectivity it should also be noted that the USSR in the 1940s never exactly *forbade* North Korea to copy the Soviet model from the 1930s. The Soviet leadership in the second half of the 1940s was more preoccupied not with the matters of the Far East but with the proceedings in Europe and with strengthening its influence there. Stalin in 1947 declared that the Soviet Union "should not get too deeply involved in the Korean affairs" [18], and thus the North Korean leadership were essentially left to their own devices without much control from the Soviet side.

### **Second stage of model formation: the 1950s**

This situation changed in the mid-1950s, after the Korean War (1950–1953) and the death of I. Stalin in 1953. The changes in the Soviet economic discourse brought about by the new leadership of the CPSU (Communist Party of the Soviet Union) could not but be reflected on the Soviet domestic and external policies towards the socialist bloc countries. For the "fraternal countries" the advice was now to pay more attention to the agricultural development, to the light industry instead of the heavy one as well as to improvement of the people's living conditions.

North Korea held a special place in the Soviet Union's international strategy and plans: due to its geopolitical position at the forefront of the Cold War divide in East Asia, it was to become "the showcase of socialism in the Far East" and demonstrate to South Korea and the whole world the superiority of the socialist way<sup>4</sup>. For that reason, it had to be not just the more industrially developed but the more prosperous one of the two Koreas. And the classic Soviet model, as the USSR's own experience has shown, suitable for achieving the former was not the best way towards the latter. Thus, the Soviet leadership in the mid-1950s possibly for the first time started taking an invested interest in North Korea's economic development and policies, for its own reasons rather than by necessity, although those reasons were primarily political and ideological in nature.

However, as it was mentioned above, the Soviet Union now insisted North Korea on doing diverged from the classic model of the 1930s. It advised North Korea to slow down the too fast pace of industrialization not to set over-elevated goals or strive for overfulfillment of plans by any means [19]. The Soviet side also maintained that North Korea (unlike the USSR in the 1930s) did not have to be autarkic and produce everything within the country (nor could it efficiently do it) but should benefit from trade and economic cooperation with socialist countries which would also improve the living conditions of the people [21].

These advices, however, went against Kim Il Sung's vision for North Korea. Kim saw in COMECON (Council for Mutual Economic Assistance) and socialist cooperation a way for more developed countries (primarily the USSR) to exploit the less developed such as North Korea [22] and continued to stand for the prioritized heavy industry development as the road to socialism [23. P. 17]. Thus, North Korea's economic policies became a point of contention between it and the Soviet Union.

At the same time, it should also be noted that among the North Korean leadership there were also those who subscribed to Moscow's revised position, among them — Chair of the DPRK State Planning Committee Pak Chang-ok and other prominent functionaries with ties to Moscow. Not exactly disregarding the heavy industry they (In line with the Soviet idea) suggested that in order to successfully reconstruct and develop the economy more attention should be given to the light industry, agriculture and consumer goods, to first improving the life of people and restoring the levels of production and material welfare of the people before enforcing the heavy industrialization [24].

The continuous dispute among the leadership eventually came into the open at the Party Central Committee Plenum in August 1956. The opposition to Kim Il Sung stood for a broad re-examination of the party policies including not only

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<sup>4</sup> That concept in various iterations appears frequently in the Soviet government and MOFA documents from the mid-1950s, see e.g. [19], [20].

the political issues of de-Stalinization and debunking of personality cult but also the economic development choices made by the Premier Kim Il Sung whose continued insistence on prioritizing the heavy industry evoked criticism [25]. Kim Il Sung managed to withstand the challenge and suppress the opposition keeping North Korea on his preferred course of development. Yet the incident and its aftermath, with open intervention from Moscow on behalf of the opposition<sup>5</sup>, contributed to Kim Il Sung's dissatisfaction with the Soviet leadership and strengthened his personal dislike of N. Khrushchev<sup>6</sup> and his policies which the North Korean leader viewed as "revisionist". Further it has cemented his desire not to adhere to Moscow's suggestions but to follow his own vision and policies.

By that time (the second half of the 1950s) of the key elements of the classic Soviet economic model as a way towards socialism the only one missing in North Korea was the collectivized agriculture. Initially the collectivization campaign was to start in the late 1940s and indeed several "trial" collective farms were created then but the Korean War interrupted those plans. They were resumed after the Armistice (1953) and the campaign unfolded widely and enforcedly. The Soviet leadership was against enforced collectivization of agriculture in North Korea. Many of the top CPSU functionaries including N. Khrushchev himself had first-hand experience of collectivization in the Soviet Union in the 1930s and cautioned North Korea from repeating the same mistakes. They insistently advised the North Korean government to slow down the pace of collectivization or even to stop it altogether. According to the Soviet data, the newly-collectivized farms in North Korea were less efficient than individual farms [19], and there were instances of social unrest, with peasants destroying their farm equipment and killing farm animals so as not to give them into the collective property [28].

However, the North Korean leadership did not heed those warnings considering collectivization as another step towards economic development and self-sufficiency (like in the Soviet Union) and a way to fund forced industrialization which remained a priority. Collectivization was declared completed in 1958, despite the explicit advice to the contrary and cautioning from the USSR. A year later, in 1959, private ownership of land which had been retained after the land reform of 1946 was finally abolished leaving farmers but small garden plots for private use.<sup>7</sup> A campaign for enlargement of the collective farms brought the average number of households in each farm closer to the figures of the Soviet Union. Thus, overall we can speak of completion by the 1960s of the transfer of the classic Soviet economic model to the DPRK and formation of the North Korean model.

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<sup>5</sup> For more details, see [26].

<sup>6</sup> On Kim's dislike of Khrushchev, see e.g. [27].

<sup>7</sup> Those plots of land did not exceed 165 m<sup>2</sup>.

## Conclusion

The North Korean economic model formed in the 1940s-1950s bears distinct and undeniable similarities to the Soviet economic model, more specifically to what is considered to be the “classic” model of the 1930s. Of course, later it had undergone alterations and especially in the recent decades after the dissolution of the socialist bloc as well as it also incorporated certain elements borrowed from the PRC (which also learned from the Soviet Union [See 29]); however, that is beyond the scope of this article. Yet what this article aimed to show is that contrary to the popular opinion, the similarity between the North Korean economic model and the Soviet one did not originate in the desire of the Soviet Union to impose the model from the 1930s on North Korea. On the contrary, it was often done against Soviet will.

While the foundations were laid under the Soviet civil administration, it was done more out of necessity, to rehabilitate the country. Moreover, the Soviet administration did not follow the Soviet example word-by-word. The North Korean authorities welcomed the Soviet-style changes seeing in them a way towards socialism and participated in adopting and entrenching them. Thus, the North Korean economic model came to include the centralized state economic planning, essentially state ownership of all means of production, prioritized heavy industry development, closed-off economy and collectivized agriculture as means to fund industrial development.

In the second half of the 1950s the Soviet Union attempted to change the course of North Korea’s economic development, although it was done primarily for political, rather than economic reasons. The Soviet leadership urged North Korea to slow down industrial development, not to enforce collectivization, open up to cooperation with other socialist countries and improve the people’s living standards. However, on the one hand the North Korean leadership stood firmly on the idea that the classic Soviet model was the optimal way to socialism. And on the other hand, by the end of the 1950s (with the changes in the political situation within the socialist bloc and the emerging Sino-Soviet split) the Soviet Union lost most of its influence and leverage over North Korea, and overall was more preoccupied with those matters than with the DPRK development and domestic policies. Moreover, the cooling of North Korean-Soviet relations caused by the August 1956 incidents and other factors, compounded with Kim Il Sung’s personal dislike of N. Khrushchev and his “revisionist” policies, further cemented his desire to pursue his own strategy not dictated by Moscow. Thus, political factors contributed to the finalization of the formation of the North Korean economic model in the shape of the Soviet model and this in turn determined the trajectory of North Korea’s economic development for the coming decades.



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