

Toward Market Leninism in North Korea: Assessing Kim Jong Un's First Decade

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Abstract:

Current literature on marketization from below in North Korea emphasizes the increased influence of private actors, and portrays this process as eroding state control. While these accounts are largely accurate, they risk overlooking significant policy responses on the part of North Korea's leadership. Over the course of the past decade, the North Korean regime under Kim Jong Un has actively pursued a political-economic model that attempts to institutionalize market activity under strengthened party-state political control. In doing so, the DPRK is hewing toward a model of "market Leninism" or "party-state capitalism" akin to that pursued by contemporary China and Vietnam, rather than that of the Soviet Union or Eastern Europe. By placing North Korea's political economy in this framework, we can better understand the two key imperatives that have characterized Kim Jong Un's rule: institutionalization of market mechanisms and strengthened political control.

Keywords: North Korea, marketization, market Leninism, party-state capitalism, reform

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Introduction

Discussions of North Korea's political economy commonly focus on whether marketization from below has corroded state control, or whether the regime might be willing to contemplate liberalization in exchange for economic benefits. This article argues that neither the "loss of control" or "liberalization" perspectives are entirely correct in their depiction of North Korea's political-economic system, because they insufficiently incorporate state agency and the degree to which the regime has already actively responded and adapted policy to address its evolving internal and external conditions. Our central contention is that for much of the past decade under Kim Jong Un, the North Korean regime has attempted to institutionalize market-based economic practices within a strengthened political-ideological framework of single-party rule. In doing so, North Korea has approximated not the political-economic reform pathways of the Soviet Union and Eastern Europe, or even the Deng-era version of Chinese reform and opening (*gaige kaifang*), but instead the kinds of "market Leninist" or "party-state capitalist" systems under construction in China under Xi Jinping and in contemporary Vietnam. Pyongyang is, of course, pursuing that approach from a different starting position and under different constraints, and its efforts are likely to face significant obstacles. Nevertheless, this comparative framework allows us to understand and reconcile the coexistence of two key phenomena that have characterized Kim Jong Un's first decade: the institutionalization of market practices and strengthened political control.

Understanding North Korea's Political Economy

Major works on North Korea's political economy often describe it as oscillating between marketization -- driven from below by inadequacies and failures of central planning -- and repression of market activity to enhance state control. Arguments that the internal and external economic shocks of the 1990s -- loss of external subsidies at the end of the Cold War; Kim Il Sung's death; and natural disasters that precipitated widespread famine and hardship known in North Korea as the Arduous

March (*konanŭi haeng-gun*) -- undermined the DPRK's centrally planned economy and forced citizens to turn to illegal market activity to survive appear in seminal works on the North Korean economy (Lee 2000; Eberstadt 2007; Kim 2017), the impact of the famine (Haggard and Noland 2009, 2010; Fahy 2015), and DPRK foreign economic relations (Chestnut 2007; Hastings 2016). Over time, private actors and interests became sufficiently powerful to penetrate state-owned enterprises, producing a hybrid form of state-business relationship known as pseudo-state enterprises (Jeong, Kim, and Lee 2012; Lankov et al 2015). This "marketization from below" process, the social dislocation that it engendered, and its challenges to the state's monopoly on information have been major focal areas of recent scholarship on the North Korean economy and society (Jung and Dalton 2006; Joo 2010; Smith 2015; Baek 2016; Dukalskis 2016; Hastings and Wang 2018; Ward, Lankov and Kim 2019; Kong 2020; Yeo 2020, 2021; Dukalskis and Joo 2021).

While these accounts are broadly accurate, they risk underemphasizing the agency of the state, and overlooking the active role that the North Korean regime has taken in response to changing external and internal conditions. A small number of scholars *have* looked at the state's role; Park (2016) argues that DPRK authorities had moved to increase autonomy of enterprises and regional management as early as the mid-1980s, and one empirical study of the market system concluded that it had "developed as a direct result of North Korean government policy" (Park 2018). But portrayals of the state's role are not always consistent. At times, it is portrayed as a liberalizing force, as McEachern (2010) describes the state Cabinet's tendency to favor reforms that would allow North Korea to attract foreign investment and foreign aid. At other times, it opposes liberalization, as in the currency confiscation of 2009 (Ishiyama 2013).

Analyses of state policy are also often now outdated. Most work on DPRK political economy, including on marketization from below, draws heavily from data prior to Kim Jong Un's ascent in 2012. It typically reviews formal economic policy in preceding periods, or draws on survey and interview data collected during the late 2000s, without always being precise about the temporal scope

of findings and the period to which the author's conclusions apply (Park 2009; Frank 2005; Szalontai and Choi 2012). Kim (2017: 96, 184), for example, draws on "survey data collected from North Korean refugees who escaped in 2007-2009" and who were surveyed in 2009 and 2011. We do not know for sure whether these findings hold for North Korea under Kim Jong Un. Path dependence of state policy is a hypothesis that should be tested -- especially in a highly personalist regime like North Korea's, where individual leaders can have an outsized effect on both policies and their outcomes (on the importance of personalist rule, see Geddes et al 2014).

This suggests that it is both timely and useful to systematically assess the economic policies and decisions taken in the first decade of Kim Jong Un's rule, and to ask what they tell us about North Korea's political economy today. Systematic review of these changes reveals that North Korea has pursued a dual track of strengthened ideological-political control and institutionalization of market-based economic activity -- consistent with what scholars elsewhere have termed "market Leninism" or "party-state capitalism."² This understanding of the North Korean political economy calls into question predictions of the system's "inevitable collapse" (Kim 2017: 3) and characterizations of it as a "transition economy" of the type found in eastern Europe (Lankov et al 2017: 63), which are based on the predicate of eroded state control without a full examination of the state's policy responses.

Thinking of what has occurred in North Korea as market Leninism offers a third pathway that is distinctive from both a "loss of control" scenario, and a "liberalization" scenario. The state is not passive in the face of diminished control, but it has also not pursued or accepted "liberalization," classically defined. Instead, Pyongyang has sought to alter the institutions and regimes (the implicit

² We use these terms interchangeably below. Scholars of communist history and comparative communist systems will be familiar with the original blending of market practices with Leninist politics in the New Economic Policy pursued by Lenin from 1921 to 1928. We do not mean to suggest that the two are identical; North Korea's particular combination of policies is responding to very different circumstances than existed in Russia in 1921, and policies have been both more temporally disaggregated and more limited in scope than the NEP (Lewin 1975; Davies 1991; Siegelbaum 1992; Cohen 1980). As a result, they may have very different political effects, a point which we return to in the Conclusion.

and explicit “norms, decision rules, and procedures”) that govern market actors’ expectations and structure economic life in North Korea (Krasner 1983, Kornai 1992, London 2012) to regularize market activity without ceding political control. This framework allows us to examine the regime’s perpetuation, even encouragement, of particular forms of market activity, without losing sight of the durable asymmetries of power that remain between the North Korean state and citizens in the economic and political realms. Comparison helps us identify both the progress and limits of policy changes to date, highlighting not only what the state has done, but what the state might have done and has not. It allows us to draw on a common lexicon for thinking about pathways of continuity vs. change in political-economic institutions over time (Mahoney and Thelen 2010), and to highlight some potential implementation challenges facing the North Korean regime that appear most clearly from careful comparison.

The comparative framework of party-state capitalism allows us to examine North Korea’s choices in light of the full range of pathways available to single-party regimes that seek to marry political control with economic viability in the face of ongoing economic and social change. Although it is common to draw comparisons between North Korea and the former Soviet Union or communist Eastern Europe (see for example Lankov 2002, 2015; Seliger 2005), those are not the only examples available to North Korea today -- and indeed, they may not even be the examples that North Korea considers most relevant now, thirty years after the collapse of communism in Europe. Both geographic proximity and regime similarity tend to facilitate policy diffusion (Goldring and Greitens 2020), and two of North Korea’s Asian neighbors, Vietnam and China, have pursued capitalism without democracy under the leadership of their respective communist parties (Tsai 2008; Huang 2008; London 2009; Malesky and London 2014). North Korean official media has, itself, indicated that its current policies are predicated on an effort to avoid the outcomes of communist regimes in Eastern Europe (*Rodong Sinmun* 2018a), and its neighbors offer North Korea a contemporary, politically successful model to emulate that is closer to the DPRK in both space and time. This suggests, as a

baseline expectation, that North Korea is more likely engaged in creating a system paralleling those of China and Vietnam, that incorporates market mechanisms under the strengthened political control of single-party authoritarianism, rather than pursuing some type of perestroika-style reform program that the regime in Pyongyang has already assessed as a failure.

Like other market Leninist regimes, North Korea's political-economic system emerged out of the decline (and in North Korea's case, near-collapse) of socialist economic institutions and the "eroded foundations of state socialism" (London 2012: 20). Importantly, however, it emerged from *survival* of those conditions. The North Korean system has therefore been shaped by a mix of path dependence and institutional evolution, as citizens and state agents sought to use existing institutions for new or adjunct purposes, informally adapting those same institutions in the process (Tsai 2007). It has also been shaped by the intertwining of old and new forms of inequality, as the legacy of politically driven resource allocation from the old system interacts with the new hierarchy of market activity, in places reaching an almost symbiotic equilibrium that has cross-cutting effects on regime stability and authoritarian resilience (Greitens 2019; Dukalskis and Joo 2021).

Moreover, like other party-state capitalist regimes, the underlying reason for and logic of the approach is rooted in the regime's most fundamental desire -- the imperative of authoritarian political survival (Bueno de Mesquita & Smith 2012). As in contemporary China and Vietnam, political security is paramount, and takes precedence over traditionally-defined developmental objectives when the two are perceived to conflict. For that reason, North Korea's market Leninist system cannot be understood purely as "state capitalism," but rather as "party-state capitalism" -- a term that highlights both the key role that leaders and the party play in structuring markets and governing capital, *and* the underlying political logic that governs these actions -- the logic of party power and political survival (Pearson et al 2021; Choi and Shaw 2010). In this view, the problem with North Korea's dismal economic condition and disarray when Kim assumed power in 2012 was not that it underperformed in economic terms; it was that aspects of these arrangements threatened his political survival. Thus, since acceding

to power, he has sought to reshape the party-state's relationship with the economy and society in ways that increase the probability of regime longevity, using the tools that we outline below.

The following analysis of North Korea's turn toward party-state capitalism draws on a range of sources, from official documents (laws, official speeches, and policy pronouncements) to news reporting and defector testimony. North Korea remains a difficult political and economic system to study: it does not, for example, regularly release the kinds of economic statistics that most countries do; it often does not publish official versions of its economic policies; and it allows little reporting or free media that could provide critical insights into policy implementation.³ Nevertheless, North Korea's official statements and media do provide some window into the thinking of the leadership (Schmid 2018), and after ten years, the state and its leaders have said enough about economic policy to sketch an overall summary of DPRK political economy, to assess the applicability of the market-Leninist framework, and to apply that conceptual framework in ways that provide insights while also generating questions for further research and inquiry. We now turn to an overview of these policies.

North Korea's Changing Political Economy, 2012-2021

The first pillar of North Korea's market Leninism or party-state capitalism is the institutionalization of market practices. Early in Kim Jong Un's tenure, policy announcements appeared to signal more open and regularized incorporation of market mechanisms into economic governance. In his first public speech, at an April 2012 military parade in Pyongyang celebrating the centenary of North Korea's founder Kim Il Sung's birth, the younger Kim promised economic prosperity, saying that people would never have to tighten their belts again (Kim 2012). This was followed two months later by the concrete announcement of "our style economic management methods," also known as the June 28th Policies. In March 2013, at a KWP Central Committee plenary, Kim Jong Un promulgated the *byungjin* line, "the Party's strategic line of simultaneously conducting

³ On methodological challenges in North Korea studies, see *Journal of Korean Studies* 26/2 (2021).

economic construction and building up our nuclear forces (Kim 2013). A second round of reforms, known as the May 30th Measures, followed in 2014 (*Tong'il News* 2014). The North Korean Cabinet, led by premier Pak Pong-ju, was given primary “authority and supervision” in economic affairs (*Tong'il News* 2013; *Rodong Sinmun* 2014).

The June 28th Policies allowed significant decentralization of management and production planning in the state sector, permitted limited private investment in small businesses, and allowed enterprises to keep a share of profits and dispose of them at their discretion (Yang 2017; Hong 2017). According to Kim, the objective of these policies was to maintain socialist ownership while raising the independence and creativity of production units by giving them more power and responsibility (Kim 2013). In Japan's pro-Pyongyang paper *Chosŏn Sinbo*, a North Korean official stated that the changes sought to give factory workers and farmers more autonomy in economic production, strengthening the principle of distribution to each person according to his or her production contribution (Ri 2013). The official added, “whereas in the past enterprises had just to carry out the production plans handed down from the state, the new measure has allowed enterprises to make production contracts with various clients based on their own decisions while implementing state plans as well” (ibid).

Both the June 28th Policies and the May 30th Measures made significant changes in agriculture. Under the June 28th Policies, the state shifted away from a quota-based procurement system, instead collecting 70% of production and allowing work teams to keep and freely dispose of the remaining 30% (Lee 2012). The number of individuals in collective farm work-teams was also decreased such that in practice these often consisted of individual households (Lankov 2018). By essentially allowing families to keep a third of what they produced, the state hoped to increase production incentives and ameliorate chronic food shortages that have persisted in North Korea for decades (Nam 2007; AP 2013). In 2014, these reforms were institutionalized via a national convention of work-team leaders and formal affirmation of the reforms (Gray and Lee 2015: 12); the “May 30th Measures” later that

year inverted state and citizen shares, such that farmers were now allowed to keep 60% of what they grew for private consumption or market resale.

In combination, the agricultural components of the June 28th Policies and May 30th Measures are broadly similar to shifts from production work teams to the household responsibility system in China during the early reform period under Deng Xiaoping (Lin 1992; Naughton 2007). However, the comparison has limits: North Korea has not dismantled its equivalent of people's communes, and agricultural land remains fully state-owned. Moreover, ongoing shortfalls in agricultural production have limited the implementation of the 70/30 split that exists in theory, and generated resistance from local actors (Park 2014). In these ways, North Korea's approach has been quite different from China's Deng-era "Reform and Opening" policies.

Industrial policy reveals similar patterns. The June 28th Policies increased managerial autonomy by allowing enterprises to generate their own plans and obtain raw materials themselves (with the assistance of provincial-level supply centers), sometimes including authority to make import/export decisions (Park 2014). On workforce and labor management, enterprises were given increased scope to recruit workers and offer bonuses significantly in excess of the base wage (Kwon 2014). The state has not, however, legalized fully private management of firms as permitted either in China or under Vietnam's Doi Moi reforms of the late 1980s and early 1990s (Beresford 2008; London 2009). Instead, it has permitted firms to *de facto* operate as private firms while remaining under more formal auspices, a point we return to below.

Government policy on Special Economic Zones (SEZ)s and external trade also evolved considerably in the early years of Kim's tenure. In 2013, the government announced creation of over a dozen SEZ's, followed by several more in 2014, and introduced the *Law of the Democratic People's Republic on Economic Development Zones*, which sought to incentivize foreign investment in its SEZs (Abrahamian 2014). While this was not North Korea's first attempt to establish SEZs, there were some key differences from past efforts. Many of the SEZs were unilateral, rather than the joint projects

that characterized previous North Korean SEZs; the new SEZs tended to have a more specific sectoral focus (Clement 2019). In 2015, the government also revised the Foreign Trade Act to let enterprises engaging in foreign trade set their own prices for goods traded outside the central plan, though it rescinded this change in 2018 and required that prices again be officially approved by the Ministry of Foreign Trade (Ward 2019). These changes have met with limited success, thanks to repeated rounds of U.S. and UN sanctions applied on proliferation and human rights grounds, as well as a lack of clarity about legal protection from expropriation for foreign investments -- a key step in China's economic reform processes (Wang 2014). This constraint has further limited industrial policy reforms, as in many sectors, foreign trade is needed to generate the inputs that would make industrial reform viable.

During Kim's tenure, the state has also returned to setting five-year economic plans for the first time since the 1980s, first in 2016 and then in 2021. Some media characterized these as a return to central planning, and they do represent a re-assertion of central political control. Unlike the traditional economic plans of former communist economies, however, these plans have focused more on broad strategies than detailed production quotas. The first plan, launched at the KWP's 7th Party Congress in 2016, was referred to as "the five-year strategy for state economic development" (KCNA 2016). Although it was not made publicly available, a leaked copy reportedly called for diversification of foreign trade away from exclusive reliance on China (Koichi 2019). The 8th Party Congress in early 2021 admitted that the previous plan had failed to achieve its objectives, but the new five-year plan (also not published in full) emphasized continued themes of self-sufficiency and state control (KCNA 2021). A report delivered by Kim Jong Un at the Congress indicated that the plan sought specific production increases in areas such as iron, steel, cement, and housing construction, to be pursued by state enterprises under Cabinet guidance, in keeping with renewed empowerment of the Cabinet since Kim's accession (MFA 2021). Press quoted Kim as seeking to "restore the state's leading role and control in the overall commerce service activities" (Smith 2021).

Analysts have noted that many of the changes to formal policy codified and regulated activities that the state was already tolerating on a *de facto* basis. In a set of revisions to the country’s enterprise law, “*On Revising and Supplementing the Law on Enterprises of the Democratic People’s Republic of Korea*,” adopted by the Supreme People’s Assembly in early November 2020, North Korea incorporated semi-private businesses that contract with state-owned foreign trade companies (FTCs) into the larger state-owned enterprises/FTCs they are affiliated with, thereby placing them more fully under KWP administration (KCNA 2020; Katzeff Silberstein 2020). The practice of disguising private ownership by registering under/through state-owned organizations, known from the Chinese context as “wearing the red hat” (Chen 2007) had become widespread in North Korea, allowing essentially private actors to operate under the formal structure of an established state-owned enterprise -- what North Korea scholars called “pseudo-state enterprises” (Yang 2015; Lankov et al 2017; Dukalskis and Joo 2021). The 2020 legal revisions strengthened Pyongyang’s formal control over these enterprises, and improved oversight over their accounting, thereby ensuring that a larger share of revenues would reach the central government (Jang 2020a). Like some of the changes to oversight and ownership structure pursued in China under Xi Jinping, these changes regularize and regulate ostensibly market-based activity, and thereby embed it into the political authority of a single-party regime, eroding the typical public/private binary in pursuit of a particular logic of political survival (Pearson et al 2021: 210).⁴

The regime has made clear that these efforts are intended to strengthen the leadership and control of the Korean Workers’ Party, the North Korean state, and regime leadership, consistent with the model offered by party-state capitalism and market Leninism. Most official or semi-official pronouncements on the policy changes have emphasized the way that they will strengthen the Korean Workers’ Party and regime. For example, the North Korean official quoted in *Choson Sinbo* in 2013

⁴ Indeed, one (speculative) way to interpret North Korea’s policy changes, which have unfolded in tandem with CCP attempts under Xi to strengthen party-state control over particular sectors of China’s economy, is that North Korea learned from the Chinese experience about the dangers of letting large firms develop without stronger political control, and intends to try to head off that problem from the start.

emphasized that “when improving economic management methods, we adhere first, thoroughly, to socialist principles, and second, to the execution of projects under the unified guidance of the state” (Ri 2013; see also *Rodong Sinmun* 2018). This kind of rhetoric has occurred with increasing frequency. After an enlarged plenary meeting of the cabinet held in February 2021, vice-premier Pak Jong Gun’s report emphasized “the need for ministries, national institutions, provincial, city and county people’s committees and enterprises to establish the system of the state’s unified guidance over economic work, as required by the Cabinet-responsibility system and Cabinet-centered system” (*Rodong Sinmun* 2021). Increases in agricultural productivity have also been framed not in terms of their benefits for individual citizens, but as evidence of patriotism and collective success in solving the country’s problems, consistent with the mobilizational emphasis of the North Korean state (Hong 2015; Ekiert et al 2020).

Conventional wisdom, not unreasonably, tends to view North Korea’s *de jure* toleration of activities that were already *de facto* commonplace as a concession on the state’s part. However, it is important to realize that the North Korean regime had self-interested reasons to pursue these policy changes, and will benefit from them. In formalizing governance of market activities, Pyongyang has given itself scope to regulate them. For example, in the absence of much regulation, local state agents often interacted with market actors via informal extractive measures like bribery, which were both coercive and evaded the view of authorities higher in the administrative chain. Now, central authorities know that local agents are issuing permits for market trading, and collect taxes and fees on that activity in a more predictable, regular fashion. As a result, the size and scope of market activity have increased under Kim’s rule, but so have state oversight routines and fee collections (Park 2018).

Thus even those reforms that permit broader market activity design that marketization in ways that enhance, rather than undermine, near-term political control. By rendering market activities more legible to state authorities, reforms shift the information asymmetries created by cross-border trade and local market participation back in the regime’s favor. They strengthen administrative authority, meaning that grassroots participants in markets know better what to expect. Importantly, these

changes also provide the regime with direct economic benefits through taxes and fees, improving its ability to engage in rent-seeking behavior from those engaged in market practices and providing an important source of revenue that can be used to bolster elite cohesion and regime stability. Finally, the formal permissibility and visibility of this rent-capturing enhances higher-level oversight of local authorities' interactions with market agents and better aligns local officials' incentives with those of the center, particularly in light of enhanced monitoring via anti-corruption investigations (discussed in more detail below).

These steps can be interpreted as efforts to solve several specific problems of *political* control that emerged as the state has grappled with the durability of marketization from below. As scholars of marketization have noted, these activities generated profits or “rents” that the regime wanted and arguably needed to capture (Greitens 2019; Carothers 2021), but the absence of a legal framework by which to do so left the state (or state enterprises that provided cover for essentially private actors) with serious agency problems (Lankov et al 2017: 55). Legalizing these activities allows the state to capture rents from market activity, and creates predictable expectations of how officials at all levels will benefit from this extraction. These predictable expectations of benefit reduce internal divergence of interests between central and local officials, as well as reducing the scope of agency problems on the government and state-organization side. Additionally, the changes acknowledge the development of what London (2009: 387) calls in Vietnam a “business class within the state,” strengthening the alignment of political loyalty and economic profit and potentially averting the development of an entrepreneurial middle class that acts in opposition to single-party rule (Tsai 2007). In sum, these changes narrow gaps and spaces in the “adaptive informal institutions” (Tsai 2007) that came with marketization from below, and shift North Korea’s business-state relationships toward a more overt party-state capitalist structure.

Similarly, North Korea’s approach to SEZs can be interpreted as a strategy to attract foreign investment and generate revenue without engaging in more fundamental reforms that could be

politically destabilizing. The government has openly stated that it seeks to reap the benefits of foreign investment while containing any systemic influence that these activities might have (Katzeff Silberstein 2019). Kim Il Sung warned in 1989 that “[i]ndiscriminate opening is not good. Careless opening may allow mosquitos and blowflies to fly in and cause damage. We [North Korea] must conduct exchanges and joint ventures with other countries, but we must pitch mosquito nets to prevent those insects from infiltrating” (Kim 1996, 22).

North Korea’s policy changes around foreign investment reflect this goal. For example, the lack of joint ventures in SEZ creation under Kim Jong Un helps to maximize North Korea’s political control vis-à-vis foreign “partners.” Moreover, Pyongyang generally seeks investments that are structured to facilitate the distribution of authoritarian patronage. The regime captures income at the point of entry, and then distributes it downward to supporters in ways that reinforce established patterns of political loyalty and align citizen incentives with regime preferences. These arrangements have precedent in payment structures like the Kaesong Industrial Complex and North Korea’s overseas labor contracts: foreign actors make payments to the North Korean regime in hard currency, at which point the regime distributes payments to (hand-selected) workers in North Korean won, and keeps a large proportion of the revenue for its own uses (Breuker et al 2016; Greitens 2016; Bueno deMesquita and Smith 2012). This kind of revenue generation elsewhere has tended to reinforce authoritarian durability (Ahmed 2012), giving us reason to expect similar effects in the DPRK, especially given that North Korea has not engaged in the kind of hand-tying that China, for example, did to create a stable political-legal climate for foreign investors (Wang 2014).

Some measures may also be aimed at standardizing economic management to address the political consequences of economic decentralization. North Korea originally followed the Soviet Union’s unitary model of central planning more closely than the multi-divisional model employed in China, although it experimented with regional self-sufficiency in the 1960s and regional decentralization from 1981-1983 (Cai and Treisman 2006; P. Kim 2018). A more significant shift

toward decentralization and regional differentiation, however, occurred with the coping mechanisms adopted or tolerated by the regime in the 1990s. Measures like localized market trading, partial external opening, decentralization of planning to the firm/district level, and 2002's so-called July 1 Measures stopped short of private ownership and market coordination (Kim 2017: 49-55), but in practice, they did allow both officials and citizens to draw on regionally distinctive resources and networks to pursue economic survival. Over time, this produced localized and regionally divergent patterns of economic activity and political authority in different parts of the country, similar to some of the difficulties encountered in the early days of decentralized reform in Vietnam (Greitens 2019; London 2009: 388). The private and semi-private market system, largely regulated at the local level, has evolved in a similarly "segmented" nature, with differences between regions and cities (P. Kim 2018). North Korea's decentralized approach to SEZ establishment (Clement 2019) augmented these effects, creating tighter horizontal connections among officials and residents of a particular place than vertical bonds within government hierarchies. By attempting to resynchronize political control mechanisms and economic incentive structures, the regime may aspire to create better alignment between local and central officials, and to avoid the build-up of regional fiefdoms that could evade central monitoring and ultimately pose political challenges to Pyongyang's governance.

Enhancing Political Control

The second pillar of market Leninism is strengthened political control by the party-state. Under Kim Jong Un, efforts at enhanced control have extended far beyond state regulation of economic activity to include ideological campaigns and tighter grassroots social control (Katzeff Silberstein 2021). Like Xi Jinping in China, Kim Jong Un appears to define threats to regime security not just in terms of physical harm, but also in terms of ideological contamination (Zur 2021; Greitens 2022). In 2014, he gave a speech at a meeting for "ideological workers," claiming that international imperialism was trying to "infiltrate corrupt reactionary ideology and culture into our country," and

corrupting North Korean youth in particular (Kim 2014). Respondents in a survey of defectors administered in South Korea in 2017 confirmed that since Kim Jong Un came to power, the regime has been cracking down with particular intensity on consumption of foreign culture, such as South Korean dramas (Kretchun, Lee and Tuohy 2017).

In late 2018, the regime launched a “war of annihilation against anti-socialist behavior,” another campaign to quash the influx of foreign media and culture (Y. Kim 2018). In December 2020, the Presidium of the Supreme People’s Assembly passed a new law “rejecting reactionary ideology and culture” which sought to “further cement our ideological, revolutionary and class positions by thoroughly preventing the inroads and spread of antisocialist ideology and culture” (Shim 2020). These campaigns have struck against both media smuggling and economic transactions that occurred outside the state’s updated framework; they have sought to punish so-called ‘grasshopper traders’ -- illicit street traders -- in order to channel people into forms of market trading that are controlled by the regime (Lee 2021b, 2021c), and have led to complaints that authorities were disrupting market activity (Kang 2018). In apparent response to pushback on the 2018 campaign, state media warned that even though economic growth is crucial, it must never come at the cost of letting anti-socialist values contaminate North Korean culture (Sõ 2020), and subsequently pursued the law against reactionary ideology that was passed in December 2020. Reports in 2021 indicated that North Korea might be expanding its network of political prison camps for violators of these laws (Mun 2021). These efforts show that market activity in North Korea is acceptable, but only when compatible with regime authority -- a core attribute of party-state capitalism.

Escalation of political control has also included restrictions on border crossing and heightened border security. In 2015, Human Rights Watch reported that controls on movement within North Korea, and across the North Korea-China border, had been substantially tightened since 2012 (Shim 2015). These controls quickly impacted the number of North Korean defectors arriving in South Korea, which fell to just over half in 2012 what they had been in 2011 (Jung 2021). The COVID-19

pandemic intensified border control; North Korea essentially closed its borders in January 2020 and has allowed very little movement in or out since, even though trade with China dropped by over 90% (White and Kang 2021). In August 2020, the Politburo established restricted “buffer zones” along the Chinese border and demoted Minister of State Security Jong Kyong-thaek, supposedly for having failed to stop cross-border traffic with China (KCNA 2020; M.S. Kim 2020; Weiser 2021). COVID-related restrictions have decimated the already-declining pipeline of defectors: 229 entered South Korea in 2020, and only 33 in the first half of 2021 (31 in Q1 and 2 in Q2; Jung 2021). Internally, the pandemic has strengthened domestic and state security protocols, from inspection stations at markets to quarantine facilities run by local law enforcement (Lee 2021). Though weak state medical capacity has limited these measures’ *public health* efficacy, they appear to have enhanced political control over economic activity and everyday life, consistent with global trends (Grasse et al 2021). As many of North Korea’s *donju* and other entrepreneurs, both large and small, depended on trade with China to make money, continued border closures are likely to weaken their leverage and strengthen the state, further consolidating party-state capitalism.

Under Kim Jong Un, North Korea has also escalated its anti-corruption rhetoric. A 2012 speech referred to the need to “strengthen the legal struggle against the phenomenon of corruption,” and official rhetoric employs the language of a “war on corruption” (*pujõngbup'aewaïi t'ujaeng*) (Minju Josõn 2013; Carothers 2021b). Corruption was one of the offenses, though far from the only one, of which Kim’s uncle-by-marriage, senior official Jang Song Thaek, was accused and executed (KCNA 2013). In 2017, Minister of State Security Kim Won Hong was reportedly also purged for corruption and abuse of power (Choe 2017). In 2018, *Rodong Sinmun* attributed the fall of socialism in eastern Europe to corruption, around the same time that a crackdown targeted the assets of some of North Korea’s wealthy elites (Jeong and Martin 2019; *Rodong Sinmun* 2018a). In 2021, *DailyNK* reported that the Central Public Prosecutor’s Office -- whose director has been elevated to an alternate member of

the Politburo -- is reviewing provincial party export offices to investigate possible corruption and embezzlement (Jong 2021).

At present, North Korea's anti-corruption campaigning falls short of both the Anti-Corruption and Anti-Waste Campaign (*pant'amo pannangbi t'njaeng*) pursued by Kim Il Sung in the early 1950s, and efforts undertaken in China by Xi Jinping (Ang 2020; Carothers 2021a, 2021b); it is probably closer to Vietnam's party-capitalist model, which has failed to divest the military of various profit-making schemes (Thayer 2009). Nevertheless, it is clear that the state is sending a message that those who wish to profit -- both grassroots traders and elites above them -- must do so within the framework outlined by the party-state, or face the consequences. Anti-corruption efforts also explicitly seek to redress potential intra-system divergence of incentives and resolve the principal-agent problems that marketization from below has generated within the North Korean bureaucracy.

A few caveats and clarifications are in order before concluding. First, our depiction of North Korea's political economy necessarily stylizes the system in ways that make it sound cleaner and clearer than everyday practice actually indicates. The trajectory of policy change in North Korea has been -- as it has been in other places -- disaggregated, contested, multifaceted, and non-linear (Pearson et al 2021). North Korea's attempts to strengthen the party-state's power in the move toward market Leninism have real limits, and will likely only go so far without the external investments that have powered growth and enhanced performance legitimacy in both China and Vietnam. Moreover, attempts to assert regime power have been, and will likely continue to be, contested by citizens. The state was recently forced to shutter an April 2020 Politburo decision to sell government bonds (60% to SOEs, 40% to *donju*) after even coercive measures failed to generate enough interest from private buyers (Jang 2020a, Jang 2020b, Ha 2020). In 2021, as conditions worsened inside North Korea, efforts to crack down on street traders in Chongjin and Hyesan were reportedly met with resistance and citizen circumvention (Lee 2021b, 2021c). As the Chinese example has demonstrated, efforts to rein in private capital are not without political risk for party leaders; the same is likely to be true for

North Korea. For these reasons, the core argument should not be oversimplified, nor should comparisons be overdrawn.

Second, we also wish to be clear that in offering the framework of market Leninism and party-state capitalism as a useful concept by which to understand North Korea's political economy under Kim Jong Un, we are not implying that previous interpretations of North Korea's political economy lack merit, or that the changes we describe are wholly new and different from anything ever pursued by the DPRK before. Our focus complements existing studies of the DPRK's political economy: it outlines the state's strategy and policies as a response to marketization from below, rather than a replacement for it. Market Leninism can only emerge from the degradation of state socialism that past scholars of the North Korean economy have compellingly described; North Korean economic policy has indeed oscillated between periods of relaxation and enhanced control; and attempts at exercising control have always been subject to evasion, contestation, and subversion from below. Moreover, the policies we describe are not *sui generis*; in pursuing party-state capitalism, the North Korean regime has had to build on both the successes and failures of past reform efforts, from previous SEZ establishment to the July 1st measures of 2002.

Third, our argument is that the North Korean regime is pursuing an identifiable strategy, not that the strategy will succeed or even that it will endure. In fact, our comparative framework identifies specific ways that North Korea's particular approach to party-state capitalism may impede its success. North Korea is attempting its pursuit of party-state capitalism as a much more absolute dictatorship than China or Vietnam, which during reforms shifted to collective party leadership and relaxed social controls, to a degree that the DPRK has never done. The difference in this starting point is likely to matter; it could inhibit entrepreneurial creativity at the ground level and strangle growth in the cradle. North Korea's high levels of political control, repression, and human rights abuse have also certainly affected international willingness to provide economically useful external investment. Conversely and perhaps ironically, some of the similarities between North Korea and other hybrid models also

highlight obstacles to the durability of its approach. Stalin abandoned Lenin's New Economic Policy after less than a decade, both due to ideological concerns about its fidelity to Communist principles and the concern that the "NEPmen" (traders) who were empowered by the policy represented a political threat (Lewin 1975; Siegelbaum 1992). Similarly, China under Xi Jinping has sought to reassert political control over parts of the economy and in places where previous Chinese leaders had ceded (some) authority to private actors. These examples suggest that North Korea may see a similar political need in the near future, if it has not already.

Our central contention is simply that there is a discernible signal within the noise: an ongoing attempt by the North Korean regime under Kim Jong Un to institutionalize market-based economic practices within a framework of unyielding authoritarian political control. For the reasons outlined above, this change is one of direction rather than type, and its prospects for success are far from certain. Nevertheless, we believe that the approach is real, coherent, and worthy of focused attention and debate from both scholars and policymakers.

Conclusion and Implications

This manuscript has argued that North Korea under Kim Jong Un is pursuing party-state capitalism: institutionalization of market economic practices within a framework of enhanced political control by an authoritarian party-state. Debates over "marketization from below" and the extent of liberalization in North Korea are valuable, but incomplete; a full picture of North Korea's political economy requires us to consider how the regime has responded to changing conditions over the course of the past decade, and to assess what its objectives and goals appear to be in doing so.

The market Leninist system in North Korea evolved from the near-collapse of North Korea's state socialist system and bottom-up citizen response to the Arduous March of the mid-1990s, but it also represents a top-down effort by the regime to harness and regulate the resultant economic and social changes to ensure that conditions remain compatible with continued regime survival and

political control. Comparatively, this implies that analyses of Soviet and Eastern European communism hold decreasing relevance for our understanding of North Korea; rather, contemporary systems such as China and Vietnam, which combine capitalism with single-party control, provide a better comparative framework for understanding Pyongyang's approach. In particular, that framework can illuminate and reconcile two key features of Kim Jong Un's time in power: his institutionalization of market practices, and his pursuit of strengthened political control by the North Korean party-state.

Our interpretation has several implications for our understanding of North Korea today. First, it calls into question the idea that North Korea is a "transitional economy" moving inevitably toward Western-style economic liberalization. Instead, it suggests that just as scholars of democratization abandoned the "transition paradigm" for an understanding that hybrid categories of regime type could persist in the post-Cold War international environment (Carothers 2002), so too should scholars of authoritarian political economy think about whether party-state capitalism and market Leninism represent a distinctive and durable model on their own terms.

Second, however, the comparative framework of party-state capitalism points out potential challenges for North Korea in pursuing this approach. It is far from clear, either historically or in the present, that market Leninism represents a durable equilibrium. The result of regime anti-corruption efforts remain to be seen; North Korea may yet be hollowed out by opportunism from within (Solnick 1998). The desire to maintain or increase existing high levels of political control and repression could yet stifle bottom-up drivers of growth, foster opposition to hybridization within the regime itself, and constrain the external inputs necessary for sustaining growth, thereby undercutting Pyongyang's reasons for pursuing the model in the first place. How North Korea addresses these challenges may well determine whether its efforts to follow the market Leninist path succeed or fail. It would be useful for future research to systematically track and compare how North Korea's version of party-state capitalism evolves alongside benchmarks from other cases, to better understand the system's current development as well as its likely future.

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