

# B How successful was the New Economic Policy?

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1 What similarities and differences were there between War Communism and the New Economic Policy? Compare the two by completing a table like the one shown below as you work through this section.

	War Communism	New Economic Policy
Procuring grain from the peasants		
Private trading		
Rationing		
Small-scale industry		
Large-scale industry		
Transport and banking		

2 Develop a mnemonic so that you can learn the main features of the New Economic Policy for an exam, for example, ROTCOM (Requisitioning stopped. Ownership of small businesses allowed. Trade ban lifted. COMmanding heights of industry with state).

In March 1921, faced with economic collapse and widespread rebellion, Lenin felt compelled to make a radical turnaround in economic policy, making significant concessions to private enterprise. This turnaround is called the New Economic Policy (NEP).

### 8A Key features of the New Economic Policy



#### Grain requisitioning abolished

Grain requisitioning was replaced by a 'tax in kind'. Peasants had to give a fixed proportion of their grain to the state, but the amount that they had to hand over was much less than the amounts taken by requisitioning. They could sell any surpluses on the open market.



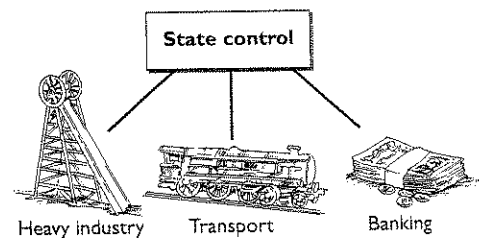
#### Ban on private trade removed

The removal of the ban on private trade meant that food and goods could flow more easily between the countryside and the towns. Privately owned shops were reopened. Rationing was abolished and people had to buy food and goods from their own income. The money economy was back!



#### Small businesses reopened

Small-scale businesses under private ownership were allowed to reopen and make a profit. This included businesses like small workshops and factories that made goods such as shoes, nails and clothes. Lenin realised that peasants would not sell their produce unless there were goods that they wanted on sale.



#### State control of heavy industry

The state kept control of large-scale heavy industries like coal, steel and oil. It also retained control of transport and the banking system. Industry was organised into trusts that had to buy materials and pay their workers from their own budgets. If they failed to manage their budgets efficiently, they could not expect the state to bail them out.

The details of the NEP were worked out among members of the Politburo (see page 160) and presented to the party with the full support of the heavy hitters. Zinoviev put the main Politburo line: 'I ask you, comrades, to be clear that the New Economic Policy is only a temporary deviation, a tactical retreat.' Bukharin ramméd home the point: 'We are making economic concessions to avoid political concessions.' Lenin compared it to Brest-Litovsk, something that had to be done but which would not last for ever. This turnaround was hard for Lenin to justify: some party members considered the NEP to be a betrayal of the principles of the October Revolution. At the Tenth Party Congress in 1921, there was fierce debate. What finally persuaded the doubters was the Kronstadt revolt. They realised that splits in the party could result in their losing power altogether. There was a genuine desire for unity and they were prepared to fall in behind Lenin - as long as the NEP was a 'temporary' measure.

### Economic recovery

By 1922, the results of the NEP were better than anyone expected. There was food in the markets in the cities and brisk trade in other goods. Shops, cafés and restaurants reopened and life began to flow back into the cities. By 1923, cereal production had increased by 25 per cent compared with 1920. Industrial production also made a rapid recovery as small-scale enterprises responded quickly to surging demand. From 1920 to 1923, factory output rose by almost 200 per cent, admittedly from a very low base. When there were profits to be made, it was amazing how quickly distribution systems began to operate, albeit in a haphazard and disorganised way. Larger-scale industry took longer to revive but the recovery was well underway by 1924.

One of the chief agents in the revival was the appearance of the private traders, or 'Nepmen' as they came to be called. They scoured the villages buying up produce - grain, meat, eggs, vegetables - to take into the markets in the cities. They travelled round the workshops picking up nails, shoes, clothes and hand tools to sell in the markets and to the peasants. Stalls turned into premises and then into much larger shops. By 1923, Nepmen handled as much as three-quarters of the retail trade.

The first three or four years of the NEP were the heyday of the Nepmen. Deals were made, corruption was rife and the rewards were high. Property speculators were back. You could get anything from officials if the bribe was big enough. This was a get-rich-quick society and the Nepmen, a much coarser breed than the old bourgeoisie, displayed their wealth conspicuously. They

**SOURCE 8.15** A Moscow street market, packed with stalls and shoppers after the legalisation of private trading under the NEP



**WHAT DID URBAN WORKERS THINK ABOUT THE NEP?**

Urban workers were less happy than the peasants. In the first two years of the NEP unemployment rose steeply, particularly in the large state-controlled trusts; they cut their workforce because they had to make a profit. Wages remained generally low and workers found little protection in the market place. It seemed to them that the peasants were doing well at their expense. They also objected to the power of the single managers and bourgeois specialists who had more privileges than them. Some workers called the NEP the 'New Exploitation of the Proletariat'.

crowded the restaurants, where dinners with French wine cost \$25 a head, and then went on to gaming clubs or brothels. Prostitution and crime flourished. The Moscow municipal government got most of its income from taxes on gambling clubs. Walter Duranty (see Source 8.16) claimed that only two years after the beginning of the NEP there were over 25,000 private traders in Moscow.

Progress was not even and there were problems. By 1923, so much food was flooding into the cities that the prices started to drop whilst the price of industrial goods rose because they were still in short supply. Trotsky called this the 'scissors crisis' (see Source 8.17). This imbalance was problematic because it made the peasants reluctant to supply food. But the crisis did not last long; the government took action to bring industrial prices down and started to take the peasant tax in cash rather than in kind to encourage the peasants to sell their produce. Meanwhile, industry made steady progress, reaching the production levels of 1913 by 1926 (see Source 8.18).

The peasants did well out of NEP. After the famine, there was rapid recovery in the villages. A great deal of the trade was between villages, in produce and in hand-crafted goods. Peasants could also make money on the side in the cities or through the Nepmen. It seemed to them that they had won back their villages to something like the situation in late 1917 – they could farm their land without too much interference from the government. The local branches of the soviets were, on the whole, still weak in the countryside and traditional forms of organisation around the communes were still much stronger.

Many people inside and outside Soviet Russia thought that the NEP marked the end of the Communist experiment. They believed that Lenin's government had realised that centrally directed industry and food supply could not work and had returned to the capitalist fold. Foreign powers wanted to encourage this trend and started to make trade agreements, Germany in 1922 and Britain in 1924. The NEP's success in lifting the economy and taking the steam out of the peasant revolts was not in doubt, but the Communist experiment was merely on hold; it was far from over.

**SOURCE 8.16** W. Duranty, *I Write As I Please*, 1935, pp. 138–50. Duranty was an American journalist who spent long periods in Soviet Russia and was in Moscow during the NEP period. Malcolm Muggeridge, the English writer and journalist, called Duranty 'the greatest liar in history' when he subsequently became an apologist for the Stalinist regime. But there is no reason to doubt that his observations of the NEP reflect what was happening in the early 1920s. These are extracts from the section on the NEP in his book

*Moscow had changed during my three weeks' absence on the Volga. Everywhere dilapidated and half-ruined buildings were being refurbished and restored, and the fronts of the houses cleaned and painted. Shops, cafés and restaurants were being opened in all directions. . . . The city was full of peasants selling fruit, vegetables and other produce, or transporting bricks, lumber and building materials in their clumsy, creaking carts. Suddenly goods began to appear from unexpected corners, hidden or hoarded . . .*

*To the Communists and to the small group of proletarian leaders who had benefited by the Military Communist period NEP was doubtless repugnant, but to the mass of workers it brought jobs that would henceforth be paid in money instead of valueless paper or mouldy rations. To the traders NEP meant opportunity and the dawn of better days. Until August 9th it was a crime . . . to buy and sell anything. It is true that buying and selling was practised more or less overtly, even in the public markets, but the latter were continually raided to 'suppress speculation' and any owner of valuables might find himself denounced, arrested, and his property confiscated. The NEP decree changed all that. . . .*

*Ill-informed foreigners like myself naturally saw first the superficial phases of NEP, its reckless gambling, its corruption and license; which were not all the truth but real enough . . . The restaurant proprietor was a typical case of the*

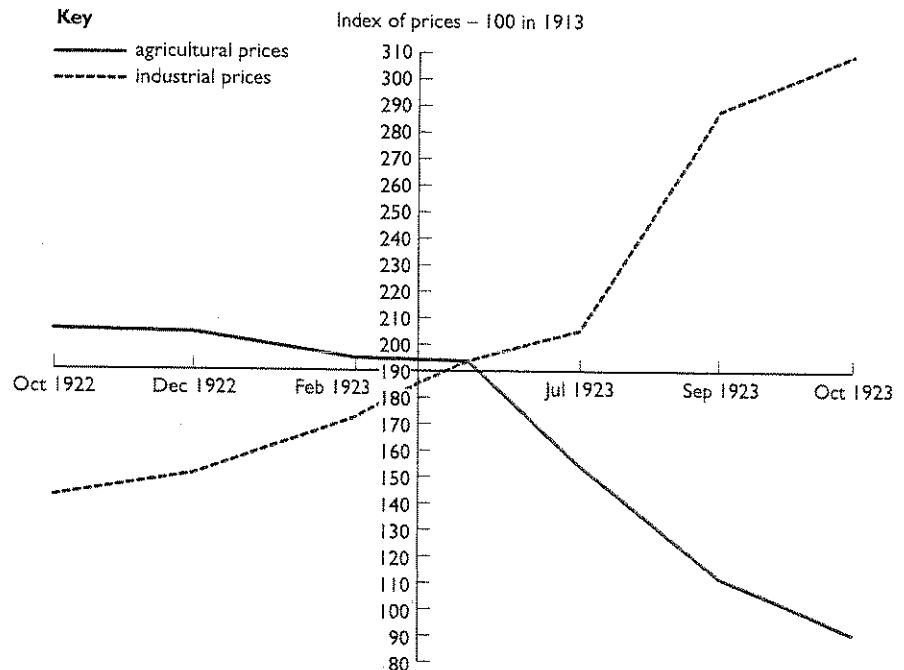
earlier NEP-man. He began to speculate in apartments and furniture and made a lot of quick money. At one time he had a fine eight-room apartment of his own, no less than three automobiles, two mistresses and a large amount of gold. [He was going to escape abroad] when he was arrested by the Gay-pay-oo [GPU secret police], which made short work of him. All his property was confiscated and he was sentenced to ten years' imprisonment on the lonely isle of Solovetsky in the White Sea.

Without going so far as to say that the authorities approved or encouraged NEP's excesses, there is no doubt that they deliberately 'took the lid off' in many respects. Gambling halls and night clubs had no difficulty in getting licenses on condition that part of the receipts were reserved for the State. It was estimated that the receipts of the Moscow Soviet from this source were 4,000,000 gold roubles in the year 1922, which was used for much-needed repairs to the streets, sidewalks, drainage and lighting systems.

One morning at the top of my street I saw a man sitting on the sidewalk selling flour, sugar and rice on a little table... at the end of a week his 'table' had doubled in size and he was selling fresh eggs and vegetables. That was October and by mid-November he had rented a tiny store across the street, handling milk, vegetables, chickens and the freshest eggs and apples in Moscow... By the following May he had four salesmen in a fair-sized store, to which peasants brought fresh produce each morning... In July he added hardware. In October, after a year's trading he sold out... to buy a farm and live independently for the rest of his life...

His enterprise stimulated scores of peasants to fatten chickens and little pigs, or plant vegetables, or fashion wooden bowls and platters and forks and spoons and produce clay pots and the rest of the village handcraft. In a single year the supply of food and goods jumped from starvation point to something nearly adequate and prices fell accordingly. This was the rich silt in NEP's flood, whereas the gambling and debauchery were only froth and scum.

**SOURCE 8.17** The movement of agricultural and industrial prices that produced the 'scissors crisis' of 1923



**SOURCE 8.18** Agricultural and industrial production figures, 1913–26, taken from A. Nove, *An Economic History of the USSR, 1917–1991*, 1992, p. 89

	1913	1920	1921	1922	1923	1924	1925	1926
Grain harvest (million tons*)	80.1	46.1	37.6	50.3	56.6	51.4	72.5	76.8
Sown area (million ha.)	105.0	—	90.3	77.7	91.7	98.1	104.3	110.3
Industrial (factory) production (million roubles at 1926–27 values)	10,251	1,410	2,004	2,619	4,005	4,660	7,739	11,083
Coal (million tons)	29.0	8.7	8.9	9.5	13.7	16.1	18.1	27.6
Electricity (million kWhs)	1,945	—	520	775	1,146	1,562	2,925	3,508
Pig iron (thousand tons)	4,216	—	116	188	309	755	1,535	2,441
Steel (thousand tons)	4,231	—	183	392	709	1,140	2,135	3,141
Cotton fabrics (million metres)	2,582	—	105	349	691	963	1,688	2,286
Rail freight carried (million tons)	132.4	—	39.4	39.9	58.0	67.5	83.4	—

\*N.B. Tons (Imperial Measure) are used throughout. 1 ton = 1.016 tonnes (metric).

**ACTIVITY**

**How successful was the NEP up to 1925?**

- 1 Using Source 8.18 and the text, assemble figures to show the economic recovery up to 1925.
- 2 Why do you think the economy recovered so quickly after the introduction of NEP? (Refer to the text and Sources 8.15, 8.16 and 8.19.)
- 3 Describe the 'scissors crisis'.
- 4 What do you think Communists would find offensive about Nepmen and the NEP (see Source 8.16)?
- 5 Paragraphs form the building blocks of an essay. Usually a paragraph develops one clear point and provides supporting evidence or further explanation of that point.
  - a) Write a paragraph on the economic successes of the NEP, using the evidence you have collected in your answers to questions 1 and 2 above.
  - b) Write a second paragraph on the problems associated with the NEP, particularly for the workers and Communists.

**SOURCE 8.19** A Soviet poster celebrating the electrification of Russia. Lenin saw electrification as a key factor in modernising Russia, bringing even the villages out of the dark ages, and the electrification programme expanded under the NEP. Lenin envisaged a network of power stations powering the large-scale industry that would build socialism. He said, 'Soviet power plus electrification equals Communism'



## Did the liberalisation of the economy lead to political liberalisation?

The Bolsheviks had no intention of letting the limited capitalism of the NEP develop into a full-scale restoration of capitalism that might foster the emergence of a political system based on government by a number of political parties (pluralism). Political liberalisation was not on the cards. The NEP was a 'carrot' to buy off the peasants and workers economically, but it was accompanied by the 'stick' of political repression.

### ■ 8B Political repression during the period of the New Economic Policy



#### Attacks on political rivals

Political pressure on the rival socialist parties was intensified. The Mensheviks and Socialist Revolutionaries had become much more popular during the strikes and revolts and had played some part in encouraging them. The Bolsheviks used this as an excuse to arrest some 5000 Mensheviks in 1921 for counter-revolutionary activities. The Mensheviks and Socialist Revolutionaries were outlawed as political organisations.

#### Show trials

The show trial – a classic feature of the later Stalinist terror – made its appearance at the time of the NEP. The Communists rounded up a large number of Socialist Revolutionaries and held a show trial, during which former Socialist Revolutionaries who had collaborated with the secret police accused old colleagues of heinous crimes. Among the accusations was the claim that the Central Committee of the Socialist Revolutionaries had authorised assassination attempts on Lenin or had collaborated with Denikin. Many of those accused were already in jail when the alleged crimes had been committed. Nevertheless, 34 Socialist Revolutionary leaders were condemned as terrorists; eleven were executed.

#### Crushing of peasant revolts

The peasants who had staged revolts against the government were dealt with harshly.

The Tambov region, for instance, was swamped by Red Army troops in 1922. Whole rebel villages were destroyed in a brutal campaign.

Villages that supported the Reds were rewarded with salt – a vital commodity because it was needed for food preservation – and manufactured goods, and fed propaganda about the benefits that the NEP would bring them.

#### Attacks on the Church

The Communists also mounted a fierce attack on the Church, which they saw as a rival to their power and which was enjoying something of a revival at the beginning of the NEP.

Previously the war against the Church had mainly taken the form of propaganda, but in 1921 the Union of the Militant Godless was established to challenge the Church more directly.

In 1922, orders were sent out to strip churches of their precious items, ostensibly to help famine victims. When clergy and local people tried to protect their churches, there were violent clashes. Death penalties were handed out to leaders of the Russian Orthodox Church and thousands of priests were imprisoned.

#### Censorship

Censorship became more systematic. In the spring of 1922, dozens of outstanding Russian writers and scholars were deported to convince the intelligentsia that it was not a good idea to criticise the government.

In the same year, pre-publication censorship was introduced. Books, articles, poems and other writings had to be submitted to the Main Administration for Affairs of Literature and Publishing Houses (Glavlit) before they could be published.



#### Establishment of the GPU

The Cheka was renamed the GPU (Main Political Administration) in 1922.

The secret police actually grew in importance during the NEP. Arbitrary imprisonment and the death penalty continued to be applied after 1922 as an instrument of social policy.

The GPU periodically harassed and arrested Nepmen as speculators and class enemies in order to assure left Communists and the urban workers that they were keeping capitalistic tendencies under control.

