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## THE NEW ECONOMIC POLICY

Just before the X Congress of the Party in early 1921, Lenin declared that socialism could be built in Russia only on one of two conditions: if there was an international socialist revolution, or if there was a compromise with the peasant majority within the country. The essence of the New Economic Policy which he adopted soon afterwards was acceptance of a compromise with the peasantry. The Bolshevik theoretician Riazanov labeled the NEP "the peasant Brest," that is to say, a temporary truce was concluded with the peasant adversary, as with the German Empire at Brest-Litovsk.

In reluctantly accepting the terms of Brest-Litovsk, Lenin had not given up hope that a revolutionary situation would still develop in the West. In 1919, when Communist regimes appeared briefly in central Europe and in 1920, when Red armies were approaching Warsaw and hoping to reach Berlin, such hopes revived. However, even though the Comintern tried twice more to foment a revolution in Germany, by 1921 it was plain enough that the Russian Communists could not count on their foreign brethren to solve their immediate problems.

These problems were domestic. Peasant risings had erupted in the south and east of Russia, for centuries the regions from which jacqueries had sprung. As demobilization of the Red Army got under way in September 1920, rural riots, the most serious led by Antonov in Tambov, broke out and continued to smolder despite punitive measures. Tambov was in fact not pacified until 1924, and months after the promulgation of the NEP, the army general staff reported that twenty thousand "bandits" were operating throughout south Russia and the Ukraine. The climax of anti-Communist unrest' involving as Lenin himself admitted "discontent not only among a considerable part of the peasantry but among the workers as well," came with the uprising in Kronstadt in March 1921.

Kronstadt had been a great Tsarist naval base, but during 1917 its sailors had become one of the strongest bulwarks of the Bolshevik cause. Its location on an island in sight of Petrograd made the political orientation of its garrison most important. During the Civil War, many of the most active leaders during the 1917 events had gone off to become Red political and military officers in various

districts, and in 1921 most of its personnel consisted of new peasant recruits. The uprising in March fleetingly threw off Communist rule and proclaimed the slogan' "Soviets without Communists."

Opposition elements of all kinds, in Russia and among the emigres, from Mensheviks to monarchists, pricked up their ears. Red forces moved in, shot down thousands, and quelled the revolt. But Lenin understood well enough that Kronstadt was no isolated or accidental outbreak, but evidence of widespread popular discontent.

He appeared before the x Congress of the Party in March 1921 and proposed a far-reaching measure, that the requisitioning of agricultural surpluses, which had been part of War Communism, be abandoned in favor of a tax in kind set at a fixed percentage of production. Only a year earlier Trotsky had proposed just such a measure, but it had been blocked by his colleagues, including Lenin. However, Lenin now pushed it through, and thereby inaugurated the "New Economic Policy"--although the actual phrase seems to have been first used in May, without capitals or quotation marks, and with them only several months later.

Lenin had evidently decided that a serious and many-sided retreat from Communist objectives (although a conditional and temporary one) was essential if the regime was not to be endangered by revolt from within by the very elements who had adhered to the Red side during the Civil War. His own formulation was that the reason for the NEP was "the maintenance of the alliance of the proletariat with the peasantry, in order that the proletariat may keep that role of leadership and state power."

The economy was prostrate, and the food tax could reasonably be expected to revive agricultural production and trade by providing the peasant with an incentive and security hitherto lacking. Nevertheless the economic motive was not the crucial one; as Lenin said, the question of the new tax was "pre-eminently a political question, since it is essentially a question of the relation of the working class to the peasantry". The peasantry, he declared candidly, "cannot be driven out as we drove out and annihilated the landowners and the capitalists. It must be transformed with great labor and great privations."

Maxim Gorky was blunter and more pessimistic in confiding to a French visitor, that same summer:

*"In the struggle which, since the beginning of the revolution, has been going on between the two classes, the peasants have every chance of coming out victorious. . . .The urban*

*proletariat has been declining incessantly for four years. . . The immense peasant tide will end by engulfing everything. . . The peasant will become master of Russia, since he represents numbers. And it will be terrible for our future."*

Gorky thus asserted that there was a class struggle under way between the proletariat and the peasantry and had been since 1917, but that nevertheless the proletariat, instead of struggling, persisted in melting into its adversary. Obviously the real opponents of the peasantry were the Communists, not the proletariat, who were (as Lenin said) discontented with their urban situation--in fact, sufficiently so (as Gorky said) to return to the villages from which many of them originally came.

Lenin had long realized that the peasantry as a whole did not thirst for socialism, but he had counted on the "poor peasantry" to come to the Communists' aid. In 1918 he had tried to use them in the Committees of Poor Peasants, but the device had been a resounding failure. In November 1918 the Committees had been abandoned, and the decision was taken to work temporarily with the "middle peasants" instead.

At that moment Lenin had scarcely finished saying,

*"Things have turned out just as we said they would. . . .First, with the 'whole, of the peasantry against the monarchy, against the landlords, against the medieval regime (and to that extent the revolution remains bourgeois, bourgeois-democratic). Then, with the poorest peasants, with the semi-proletarians, with all the exploited, against capitalism, including the rural rich, the kulaks, the profiteers, and to that extent the revolution becomes a socialist one."*

As he soon learned, those assertions were premature, to say the least. But they were no empty words; they represented Lenin's basic solution to the dilemma posed by the attempt of the Communists to take power in an agricultural country. If "poor peasants" could not be found to perform their allotted tasks at the proper time, they must be found later. The stubborn refusal of the Russian peasantry to "split" and conduct its own civil war was a great blow to Lenin. However, he was prepared to wait for it, as he awaited the revolution in the West.

For the moment, in any event, the "poor peasants" remained a mirage. Instead of a split in the peasantry between rich and poor, there had occurred 'a striking equalization of the size of the unit of production. . .the small-holding worked by the labor of the peasant and his family. . already typical in 1917, had become by 1920 the predominant unit in Russian agriculture.'. Therefore the Communists had to compromise with the "middle peasants"--that is, the overwhelming

majority of the Russian people. In March 1919 Lenin defended such tactics by declaring that the middle peasantry „does not belong to the exploiters, since it does not draw profits from the labor of others," but it was not exploited either, since it was self-employed. Lenin never came closer to an admission that a Marxian class analysis simply did not apply to the country where he had sought to lead the world's first Marxist revolution.

In fact Lenin did not "compromise with the middle peasant" in 1919; his talk of doing so was translated into action only in 1921 when he inaugurated the NEP. By that time he had largely ceased to talk about the "middle peasant". and simply referred to "the peasantry.". NEP, like Brest-Litovsk, was an admission of defeat; however, neither was intended as a surrender, but rather as a tactical maneuver to be pursued only until the inevitable change of conditions which would make victory possible. NEP was like Brest-Litovsk in another respect: the end of the compromise was not that foreseen by Lenin. What enabled him to tear up the treaty was not a Communist revolution in Germany, but Allied victory.

What enabled Stalin (Lenin had died in the meantime) to abandon NEP was not a split of the peasantry into rich and poor--to which sanction for a capitalist development in the villages was supposed to lead--but the accumulation of sufficient power in the Communist state to do the job which the ."poor peasants" were supposed to do, namely, liquidate the kulaks and establish collective farms.

In 1921 the economy of Russia lay in ruins. seven years of war and civil war had produced catastrophe. Industrial production stood at thirteen per cent of prewar volume; the grain harvest had fallen from 74 million tons in 1916 to 30 million tons in 1919 and continued to decline still further. Inflation was rampant, and although the Communists hated and feared it, they saw no alternative but to contribute to it by printing paper money. The immediate economic measures taken to meet the crisis could not be directly financial. nor could they involve any plans for extensive change in the structure of the economy. They aimed merely to persuade people to work and produce more, in the city or in the village, so that some kind of regular trade could be resumed, the urban masses fed, and the villages supplied with the goods for which they would willingly exchange their grain.

Although as indicated the food tax was prompted by basically political motives, it also initiated the revival of the economy. The law provided that the peasant must pay the government a tax in kind consisting of a certain percentage, varying somewhat from region to region, of his produce; he could then dispose of the remainder on the free market. A year later the tax was fixed at a standard ten per cent. In 1922 also the peasant was permitted to lease and hire labor,

although purchase and sale of land were still prohibited. By the Fundamental Law on the Exploitation of Land by the Workers, enacted in May 1922, the government guaranteed the peasant freedom of choice of land tenure, individual, communal, or other. Thus the villager was permitted, within rather broad limits, to manage his own economic life as he saw fit.

The small businessman was also granted a measure of economic freedom. Although the state retained in its hands the ownership of the so-called "commanding heights"—including the largest enterprises, railways, and banks—private entrepreneurs were permitted to resume management of smaller concerns, to hire labor, and to trade more or less freely with the goods produced. The new class of small urban capitalists, who became known as "Nepmen," suffered from social pressures from which the peasants were exempt.

It was difficult for them to obtain credit at the banks, the rentals for their apartments were often higher than their neighbors', their children had to pay higher tuition fees at schools. Many of them expressed their suspicion that their situation was precarious and temporary by free spending and high living.

The new era of "free enterprise" benefited not only the peasants and small businessmen, but also the industrial workers. The trade-unions, organized under the leadership of Michael Tomsky, were permitted to strike against the private capitalists, and accordingly it was thought necessary that they be allowed to strike against state enterprises also, even though they were urged not to do so and reminded that by so doing they were by definition striking against themselves.

Under the new dispensation, the economy began to revive. Lenin addressed himself to the disagreeable topic of gold, and he announced that in the future gold would be used to construct public lavatories in the streets of the great cities of the world, but that for the time being orthodox principles of finance, as well as of trade, must be taken seriously. He handed the slogan, "master trade," to the rank-and-file Communists, who picked it up in a generally uneasy and gingerly fashion. State industries and state farms were now commanded to show profit and to operate on commercial principles generally.

Financial stability was slowly recovered. By the end of 1922 a third of the government revenue was coming from the food tax, one third from a variety of direct money taxes, and one third from the issuance of bank notes. As a result of the growing tax yield, in 1924 a new currency (the unit was the chervonets, which means "red") could be introduced and the old note issue gradually abandoned.

However, by this time a crisis had arisen in urban-rural trade. The new nationalized industry was producing again, but its costs were much higher than prewar levels and thus the prices of manufactured goods were high. As the marketing of agricultural produce was resumed, the greater supply drove grain prices down. The terms of trade thus moved against the countryside. Whereas the peasant had formerly been able to get a shirt for thirty-odd pounds of rye or the equivalent, by 1923 he needed two hundred and fifty pounds. The result was the "scissors crisis," so called from a diagram Trotsky used in a speech, which showed the intersection of a falling rural price curve and a rising urban price curve. The curves intersected, said Trotsky, in September 1922.

Thereafter the "scissors" continued to open until October 1923, when the gap was widest. The government took energetic action to force industrial prices downward. Direct pressure was exerted on that nationalized trusts to lower prices. Credit rationing, price regulation, and even that importation of lower-priced goods from abroad were employed. In consequence the gap began to narrow after October, and the crisis was surmounted, although many Party members resented the leaders' firmness with the state enterprises.

By 1923-1924 it was apparent that the regime was managing to stabilize itself, at least for the time being, as the economic revival made headway. The open although limited encouragement given to private enterprise led many in and out of Russia to conclude that "capitalism" had returned for good, and that the Communists had jettisoned their long-proclaimed ideological objectives, which might never have been seriously meant anyhow. The introduction of the NEP was the first in a long series of occasions in Soviet history when foreign observers decided that Communist doctrine was ceasing to be significant in influencing the Soviet Leaders.

No doubt many of the peasants expected NEP to be permanent, and although the Nepmen had fewer such illusions, they too hoped the policy would last for some time. Many Communist Party members feared that NEP might be prolonged and fought to end it before it got out of hand. Perhaps indeed it might have lasted somewhat longer than it did, if it had not been for certain developments which restricted political freedom, in and out of the Party, at the very time when the regime was experimenting rather boldly with economic freedom.

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Send comments and questions to [Professor Gerhard Rempel](#), Western New England College.