

# [New economic policy failure](https://assignbuster.com/new-economic-policy-failure/)

During World War I, Tsar Nicholas II made the terrible mistake of commanding Russia’s grand army by himself, and allowing Grigori Rasputin to give personal advice on how to direct it. Most mistakes made from then on out were blamed on Nicholas II by the people, and it was deemed time for change. In early 1917, tensions within the population led Nicholas II to abdicate and flee the country and a provisional government was put in place (BBC – Lenin). The Germans saw this as an opportunity to get rid of Russia as an opponent and decided to send Vladimir Lenin, a member of the Soviet Communist Party, into power. The provisional government was quickly overthrown and Lenin was installed into power during the October Revolution through the Germans and the Bolsheviks. After signing the Treaty of Brest-Litovsk, the population became outraged that they lost so much land after exiting the war. A civil war erupted because of this, and in the chaos, Tsar Nicholas II was executed. Lenin saw that Russia was in a state of turmoil after exiting World War I and silencing the civil war, so he was determined to fix the economy. After the civil war, Lenin revised the economic policies and introduced the New Economic Policy (BBC – The NEP). The imposition of the New Economic Policy in 1921 incorporated western economic ideas, such as peasants controlling businesses, causing Russia to depend more on its agricultural sector and in turn, brought it back to its pre-war state. (it incorporated western economic ideas, which were ultimately unsuccessful in raising russia from its prewar state)

When Lenin first took power in 1918, Russia was in what he called a “ state of War Communism” (Carr 147). He toyed with this system at first, and eventually decided to drop it due to peasents and workers revolting in the Tambov and Kronstadt Rebellions. In 1920, he declared that, “ We must show the peasants that the organisation of industry on the basis of modern, advanced technology, on electrification, which will provide a link between town and country, will put an end to the division between town and country, will make it possible to raise the level of culture in the countryside and to overcome, even in the most remote corners of land, backwardness, ignorance, poverty, disease, and barbarism” (Lenin). Also in 1920, agricultural output had been reduced to only half of its pre-World War I level, foreign trade had decreased, and industrial production had fallen to only a small fraction of its pre-war levels.

The peasants were the basis of the people, or the proletariat according to Carl Marx, and Lenin deemed it necessary to start with the lowest class to ensure that everyone grasps the new ideals that he was going to impose. The current leaders of the economy, as exclaimed by Lenin, were the bourgeois. In order to thwart their rule, Lenin revised the War Communism policies, and produced the New Economic Policy.

In accordance with Marx’s views, Lenin thought that, “ capitalism is a system based on the exploitation of the proletariat by the bourgeoisie. This exploitation takes place as follows: the workers, who own no means of production of their own, must use the means of production that are property of others in order to produce, and, consequently, earn their living” (Carr 270).

The New Economic Policy was instituted on March 21, 1921. The first eight months of the transition from War Communism to the NEP failed to displace the bourgeois to install the socialist economic order. It almost seemed as if the main goal of the policy at the time was to get the bourgeois out of power, and that the policy wasn’t really formulated for the long run (Carr 269). This new policy was stepping away from the communist ideals of earlier periods in Russia. The Bolsheviks didn’t approve of this policy made by Lenin, as they thought it “ was stretching communist ideals” (Carr 156). Many of the Bolsheviks ended up leaving the government because of this, but Lenin held his position, and continued on with the imposition.

The NEP was thought to be a new agricultural policy as well. The Bolsheviks viewed traditional village life as conservative and backward (Carr 152). The old way of village life was reminiscent of the Tsarist Russia that had supposedly been thrown out with the October Revolution. With the NEP, methods were put in place which promoted the pursuit by peasants of their self-interests. However, the government only allowed private landholdings because the idea of collectivized farming had met with much opposition. The practice of collectivized farming was when the government wouldn’t collect tax in the shape of money from the proletariat, but they would be required to give the leaders a portion of their crop.

The NEP stated that requisitioning of food and agricultural surpluses, a ideal of War Communism, must be ended. Instead, the government would tax the peasants on a fixed percentage of their production. Trotsky had already proposed a similar policy, but it was rejected by his fellow colleagues, including Lenin. Basically, this promoted a free agricultural market in Russia. With the free agricultural market came a great toll on the people of Russia.

The Soviet authorities were constantly preoccupied with the danger that supplies of food to the towns and the army and of agricultural raw materials to industry would be inadequate. On the other hand, the persistent efforts of the same authorities to increase the share of resources available to industry constantly threatened the economic basis of the relationship between the regime and the peasantry. The Soviet authorities were right in the end. Prices for industry made products such as metals, tools, etc., skyrocketed to over 250% of their value before World War One was started. This in turn caused a major split between the prices of industrial products and agricultural products which caused a major food shortage due to farmers not being able to buy supplies and tools to produce crops.

Like the blades of a pair of scissors, the terms of trade between town and country began to diverge in 1923 in favor of the mainly state-run industrial economy and at the expense of rural consumers. The reason for the Scissors Crisis was that agricultural production had rebounded quickly from the devastating famine of 1921 while industrial infrastructure was relatively slow to recover from the Civil War’s destruction. Thus, whereas textile production, essential to providing cloth to mass consumers, was only 26 percent of the pre-war level in 1922, agriculture reached 75 percent.

By October 1923 when the crisis reached its peak, industrial prices were 276% of pre-war/1913 levels, while agricultural prices were only 89%. At this point, the state took vigorous action to make the producer’s prices go down. Costs were reduced by cutting staffs in industry. As a result of these measures as well as the success of the newly established People’s Commissariat of Trade in making inroads into areas previously dependent on NEPmen, the scissors began to close. By April 1924 the agricultural price index had risen slightly to 92% and the industrial index had fallen to 131%.

When the Scissors Crisis ended in 1923, Lenin became ill with a stroke, and died in late 1924. Stalin took over, and wiped out the New Economic Policy and instituted his Five Year Plans, showing that the economic policies provided by Lenin had little impact on the future of Russia. Also, as a result of the Scissor Crisis, the government corrected the industrial and agricultural parts of the economy, dragging their cost back down to pre-war times. The economic state within Russia depended on collective farming and free market farming, and how those two parts of agriculture did as a whole. With the reliance on the agricultural sector controlling the economy, the New Economic Policy imposed by Lenin ultimately failed in the sense of industrializing Russia.