

### 3. *War Communism*

#### THE FIRST MONTHS OF POWER

This chapter covers the period from the Bolshevik seizure of power until the promulgation of 'NEP', i.e. the period from November 1917 until the middle of 1921. Politically and militarily these were stirring, dramatic years. In January 1918 the Constituent Assembly, with its SR majority, sat for one day and was dispersed. Tortuous negotiations with the Germans eventually ended with the onerous peace of Brest-Litovsk (April 1918), followed by a revolt by the left SRs, terror and counter-terror, and a vast civil war. Allied intervention contributed to a series of disasters, which for a time left the Bolsheviks in control of only Central Russia. Victory was eventually won, with immense effort and sacrifice, but in 1920 came war with Poland and a last attack by the White armies from the Crimea. By the end of 1920 victory was won, the enemies now being hunger, cold, anarchy and ruin, as well as some bands of rebels of various hues to mop up.

'War communism' is the name commonly given to the period of extreme communization which began in the middle of 1918, i.e. eight months after the revolution had triumphed. It is therefore necessary to trace the events of the intervening period. Did fully-fledged war communism arise out of a series of improvisations, due to the exigencies of war and collapse, or was it consciously introduced as a deliberate leap into socialism, and ascribed to the war emergency when its failure was found to be discreditable to the regime? Both schools of thought exist. Which is right? Or are they perhaps both right?

In interpreting the events of 1917-21, it is important to bear in mind the following. Firstly, there was a good deal of anarchy, of sheer elemental chaos, in the situation of Russia in those years. Orders by the centre might be obeyed, but quite probably the local authorities, even if communist-controlled, pleased themselves. Orders were in any case all too often confused and

contradictory, through sheer inexperience or because the civil service machine was all too effectively smashed. Lenin himself wrote: 'Such is the sad state of our decrees; they are signed and then we ourselves forget about them and fail to carry them out.'<sup>1</sup> Therefore much that happened was not due to central orders at all, and many of these orders were due to desperate efforts to cope with confusion and anarchy.

Secondly, all the events of 1917-21 were, naturally, dominated by the war and civil war, by destruction and fighting, by depleted supplies and paralysed transport, by the needs of the front and the priorities of battle, and last but not least by the loss of vital industrial and agricultural areas to various enemies. The policies of the Soviet government in these years cannot, of course, be considered in isolation from these conditions.

Thirdly, while we have already noted some Utopian and unrealistic passages in Lenin's ideas even before the revolution, and while his comrades were even more prone than he to illusions of all kinds, we must allow for the interaction of Bolshevik ideas with the desperate situation in which they found themselves. To take one example among many: rationing and the banning of private trade in foodstuffs were essential features of the period, and came to be regarded as good in themselves. Yet both these measures were common enough among belligerent nations, and in fact the Provisional government had endeavoured somewhat ineffectively to do just these things. It is interesting to note that H. G. Wells, who visited Russia in 1920, laid great stress on just these points, in explaining Bolshevik policy. It is not only the Bolsheviks who made a virtue out of necessity; anyone old enough to recall 1948 will remember how Labour politicians in Britain extolled rationing (so much fairer to ration by coupon than by the purse). This 'ideology' delayed the abolition of rationing in Britain. Yet its cause was, obviously, the war. One could hardly imagine that Labour in power in peacetime would be 'ideologically' committed to introduce rationing. Or, to put it another way: actions taken in abnormal circumstances for practical reasons are often clothed in ideological garb and are justified by reference to high principles. It is all too easy then to conclude, with documentary evidence to prove it, that the action was due to a principle.

This is not to say that principles ('ideology') had nothing to do with it. Indeed, it is quite clear that Lenin and his friends approached practical issues with a whole number of *idées fixes*, and that these influenced their behaviour. The consequences of actions inspired by ideas could influence events by further worsening the objective situation, and therefore rendering further action necessary on empirical grounds. And so on. There was a process of *interaction* between circumstances and ideas.

#### EARLY MEASURES

The legislation of the first months of Soviet rule sought to implement the short-term programme outlined by the Bolsheviks before the seizure of power.

The land decree of 8 November 1917, adopted by the Congress of Soviets and embodied in a law promulgated in February 1918, followed the lines of the programme, in this instance 'borrowed' from the radical wing of the S.R.s. Local committees and Soviets were to supervise land distribution. Land was nationalized,<sup>2</sup> the right to use it belonged to the peasants. None should have more than he alone could cultivate, since the hiring of labour was to be forbidden. Some attempt was made to define the size of holdings. But in fact neither the Bolsheviks nor the S.R.s, nor any political force, could tell the peasants what to do. Each village made its own arrangements, which varied widely between and within regions. Some of the better-off peasants grabbed more land. Others, including many who had consolidated their holdings under Stolypin, had their land taken away and put back into the common pool. The average size of holdings diminished, and the number of peasant households with land increased, as some very poor or landless peasants gained from the redistribution. We shall see in the next chapter what effect this great convulsion had upon the shape of Russian agriculture. It is sufficient at this stage to emphasize that it was not in fact a reform undertaken by the authorities, it was a more or less elemental act by peasants, with government organs accepting and by implication legitimizing what was happening. Army deserters, often with weapons, joined in the process of land allocation. The forces of peasant traditionalism, egalitarianism, commercialism,

the interests of richer and poorer peasants, clashed in varying degrees and in different ways in thousands of villages where authority had broken down. Despite efforts to prevent it, the land seizures were accompanied by many acts of senseless violence: the landlords' cattle were sometimes slaughtered, the landlords' houses, barns or stables destroyed.

The land law of February 1918 did refer to productive efficiency, better technique, land reallocation and even to the development of a collective system of agriculture. But all this remained on paper. The Bolsheviks could not even attempt to impose a settlement. They had no administrative apparatus, they had practically no party members in the villages. They had come to power on the flood-tide of peasant revolt. All they could do in the first years was to try to keep themselves from being swept away. Their actions, as we shall see, were directed in the main to obtaining the food without which the towns and the army would starve, indeed did starve.

On 27 November 1917 came a decree on 'workers' control'. Factory committees, which existed already under the Provisional government, were given stronger powers. They could 'actively interfere ... in all aspects of production and distribution of products. The organs of workers' control were granted the right to supervise production, to lay down minimum output indicators for the enterprise, to obtain data on costs. ... The owners of enterprises had to make available to the organs of workers' control all accounts and documents. Commercial secrecy was abolished. The decisions of workers' control organs were binding on owners of enterprises': in these words a Soviet textbook summarizes the decree.<sup>3</sup> This appeared to put the seal of legality on growing syndicalist, not to say anarchic, tendencies which had been increasingly manifesting themselves for months before the Bolshevik seizure of power. The trade unions were at least nationally organized, and so one could conceive of 'workers' control' exercised by them becoming, or emerging into, some sort of national plan for resource allocation. The trade unions, however, were in these first months not under Bolshevik control, whereas many of the factory committees were. Yet the latter, despite this control, were bound to reflect only the sectional interest of the factory workers. The local

leaders had neither the training nor the sense of responsibility to 'supervise' and 'control' production and distribution. They could and did sell off materials, pilfer, disobey instructions. Of course, discipline had to be reimposed. Carr comments that 'as a weapon of destruction workers' control rendered indisputable service to the revolutionary cause'. It could only add to the already fast-spreading chaos. This was the more certain because the decree also insisted that the management's operational instructions were to be binding. This was, therefore, still *kontrol'*, not full control. But the degree of control was sufficient to inhibit the management from effective action, and divided responsibility meant irresponsibility; indiscipline, and even violence towards technical staff, made work virtually impossible. The railways were operated for the first months by the railway trade union, independently of the Soviet government; the union was not Bolshevik-controlled, and decided to run the railways as the railwaymen thought fit. It was only after some delicate negotiations, plus some outright chicanery and finally the threat of direct violence (March 1918), that the railways were finally placed under the Soviet regime's authority, with workers' control ended.

Amid all the multifarious causes of breakdown and confusion, 'the onset of industrial chaos, radiating from the capitals throughout Soviet territory, defies any precise record', as Carr says.<sup>4</sup> Of course, workers' control was only one of many causes of this. But no remedy was possible which did not involve the stern subordination of the committees to some authority and discipline.

On 20 November 1917 the State Bank was seized by armed detachments, because its employees had refused to issue money to what was, in their view, an illegal band of interlopers calling themselves the Council of People's Commissars. On 27 December all private banks were nationalized, and, along with the State Bank, amalgamated into the People's Bank of the Russian Republic. In February 1918, all shareholders in banks were expropriated, and all foreign debts repudiated.

#### *VSNKh*

On 15 December 1917 the Supreme Council of National Economy was set up. This was known by its initial letters,

VSNKh (or *Vesenkh*) (and by these letters it shall be called in this book). In examining its powers at the time of its creation, we shall find some evidence of the view held at this time of the role of central planning and the intentions with regard to the nationalization of industry and trade.

VSNKh's task was defined as follows:

The organization of the national economy and state finance. With this object VSNKh elaborates general norms and the plan for regulating the economic life of the country, reconciles and unites the activities of central and local regulating agencies [the council on fuel, metal, transport, central food supply committee, and others of the appropriate peoples' commissariats: of trade and industry, food supplies, agriculture, finance, army and navy, etc.], the all-Russian council of workers' control, and also the related activities of factory and trade-union working-class organizations.

VSNKh was to have 'the right of confiscation, requisition, sequestration, compulsory syndication of the various branches of industry, trade and other measures in the area of production, distribution and state finance'.

VSNKh was attached to (*pri*) the Council of People's Commissars, as a species of economic cabinet, and the members were to be representatives of the relevant commissariats plus the workers' councils, plus some others. The full Council seldom met, and a bureau, initially of fifteen members, was responsible for day-to-day work. It had the power to issue orders on economic affairs, which were (in theory) binding on everyone, including the people's commissariats whose functions it partially duplicated. Regional councils (SNKh or *sovmarkhоз*), yet another abbreviation) administered and controlled the economy locally, under the guidance of VSNKh and in close association with local soviets and workers' councils. By May 1918 there were 7 zonal, 38 provincial and 69 district sovnarkhozy.<sup>5</sup> Very soon VSNKh 'sprouted' departments (*glavki*), for controlling particular activities and sectors, bearing such names as *Tsentromyia*, *Tsentrotextil*, *Glavneft*, *Glavspichki*, *Glavles*, concerned respectively with soap, textiles, oil, matches, timber, etc. Duplication with the people's commissariats for trade and industry was ended in January 1918 by their liquidation. With the progress of

nationalization the various departments of VSNKh took command of the nationalized sectors of the economy. Its structure was repeatedly changed in the years that followed, but there seems little point in boring the reader with reorganizational catalogues. Much more important and interesting is what its functions were and how they changed.

#### NATIONALIZATION

As the wording of the original decree showed, VSNKh was supposed to guide and coordinate, but it was certainly not clear how closely it would plan and control industry or trade, or how much of these activities would be nationalized. It is true that there were declarations of intent which suggested that all-round nationalization was the policy. Thus in the 'Declaration of rights of the working and exploited people', published on 17 January 1918 and modelled on the Declaration of the Rights of Man of the French Revolution, some of the laws on workers' control and VSNKh were seen as 'guaranteeing the power of the working people over the exploiters and as a first step towards the complete conversion of the factories, mines, railways and other means of production and transport into the property of the workers' and peasants' state'. However, this declaration proposed no time-table, and would have been consistent with a prolonged existence of a mixed economy. Certainly in its first few months of existence the organs of VSNKh included some managers and even owners. Thus the rules for *Tsentrotextil'*, adopted on 1 April 1918, included in the departmental council fifteen representatives of the (private) employers. The Soviet history textbook from which the above data were derived comments: 'Lenin took a positive view of attempts to make agreements with capitalists on definite conditions favourable to the working class. He repeatedly said and wrote this.<sup>6</sup> Serious negotiations for collaboration were undertaken with a leading "capitalist" magnate, Meshchersky. And in any case the various glavki (*Tsentrotextil'*, Glavspichki, and the rest) corresponded closely with the analogous syndicates set up by private business before the war, and used for purposes of control by previous governments during the war. The offices and much of their staff were the same.'

Nationalization did indeed begin. The railways (already, in the main, in the hands of the state under the Tsars) and the merchant fleet were nationalized by January 1918, but, with these exceptions, individual plants were nationalized, not industries – at first. Such nationalization was due to a number of factors. At this period, it would certainly be wrong to assume that local Soviets, even communist-controlled, acted because the centre told them to. The large majority (over two-thirds) of nationalizations were local, until June 1918, and may have been due to genuinely local decisions. These in turn could have been due to over-enthusiasm, or to real or imagined sabotage, or to the refusal of employers to accept orders from workers' councils. In view of the prevailing chaos, it is only too likely that many employers found conditions intolerable and tried to get out.

The central authorities were alarmed by the extent of unauthorized nationalization and on 19 January 1918 it was decreed that no expropriation should take place without the specific authority of VSNKh. Clearly, no one took very much notice of this, since on 27 April 1918 the same prohibition was repeated, this time with financial teeth: there would be no money issued to any enterprises which were nationalized without the authorization of VSNKh.<sup>7</sup> It is not clear, on the evidence, that all-round nationalization was already seen as an immediate aim when VSNKh was set up. In fact it would seem that Lenin and his colleagues were playing it by ear. The first leaders of VSNKh, men like Obolensky, Krisman, Larin, Milyutin, were young intellectual enthusiasts, with little grip on the realities of administration. And in any case much of Russia was outside the authority of the government.

Krisman in his remarkable article on 'The heroic period of the great Russian revolution',<sup>8</sup> refers to the pre-June period as one of 'elemental-chaotic proletarian nationalization from below'. He added: 'Were it not for external factors, the expropriation of capital would not have taken place in June 1918.' It was hoped that 'capital (i.e. capitalists) would be in some sense in the service of the proletarian state'.

It may be added that the whole question of the intentions of the government at the beginning of 1918 is a matter in dispute among Soviet scholars of the period. Thus Venedikov and

several others claim that the party did have a basic plan of nationalization for all the major branches of industry. There was a resolution to this effect passed by the sixth party congress, and it is true also that Lenin in December 1917 spoke of 'declaring all limited companies to be state property'.<sup>9</sup> None the less the evidence, though mixed, is still consistent with the intention to maintain a mixed economy for a considerable period. It may not be out of place to recall that, at about the same time, the Labour Party in Britain was also passing resolutions advocating the nationalization of the means of production.

By June 1918 there were still only 487 nationalized enterprises.<sup>10</sup> The great leap into war communism must be dated from the end of June 1918 with the promulgation of the nationalization decree, affecting in principle all factories, as distinct from small workshops.

To find an explanation of this apparent switch in (or very rapid speed-up of) policy, it is necessary to examine three relevant matters: agriculture, trade and the military situation.

#### THE SLIDE INTO WAR COMMUNISM

It has already been explained that the peasants had seized the land and redivided it according to their own lights. The splitting up of farms had a disorganizing effect on production, as also did a struggle among the peasants themselves about who was to get what. This struggle was given every encouragement by the Soviet government. Already on 15 February 1918 Lenin was speaking of 'ruthless war against the kulaks'<sup>11</sup> (i.e. the better-off peasants). All this was taking place under conditions of growing hunger, and ever-wider inflation. The peasants, understandably sought to obtain a better price for their food. Rationing had been introduced in towns in 1916, but the prices paid to peasants fell far behind the general rise in prices of consumers' goods, and a very great shortage of such goods further discouraged sales through official channels. The peasants tended naturally to evade the state monopoly of grain purchase, thus encouraging the development of a flourishing black market. The Provisional government sought to combat this, in vain. The Bolsheviks at first did no better. Lenin's writings show the

inability to cope with the (to him) destructive 'petty-bourgeois flood', which threatened to sweep away effective control. For Lenin, trade at free prices was equivalent to 'monstrous speculation', hoarding was considered sabotage. He informed the Petrograd Soviet on 27 January 1918 that there should be mass searches of stores and houses: 'We can't expect to get anywhere unless we resort to terrorism: speculators must be shot on the spot.' Yet the very next paragraph reads: 'The rich sections of the population must be left without bread for several days because they [have stocks and] ... can afford to pay speculators the higher price.'<sup>12</sup> The winter of 1917-18 was a terrible one. In Petrograd the bread ration fell early in 1918 to a mere 50 grams (2 oz.) a day even for workers.<sup>13</sup> Many had to leave the city, and factories closed for lack of labour. Hunger became a matter of the utmost gravity.

The collapse of production and transport and the disruption of existing market relations was accompanied by an effort to ration through the state (and retail cooperative) organs and by a resolute attempt to suppress free trade in essentials. Private trade in a wide range of consumers' goods was forbidden. However, lack of goods to sell and of an effective distribution mechanism made confusion worse than ever. The cooperative movement was called upon to help, but in 1918 it was still controlled by men hostile to the Bolsheviks, and it was not an effective part of the official system.

All this had a logic of its own, the more so as conditions worsened sharply. Shortages grew ever more acute, as the civil war spread over Russia in the summer of 1918, and as the effect of the Brest-Litovsk treaty was felt: the temporary secession of the Ukraine in particular struck a heavy blow at the already disorganized economy. Between July 1918 and the end of 1919, much of Russia was directly affected by civil war. Railways were disrupted, bridges blown up, stores destroyed. The Soviet-held territory was cut off from essential sources of materials and food. There were typhus epidemics. Stern control over the prevailing anarchy was seen to be vital, and control has a logic of its own.

Referring, or purporting to refer, to another revolution, a present-day Soviet commentator writes:

While strictly regulating maximum consumption and at the same time preserving private bourgeois property and the money economy, the Jacobin state could not help but introduce further coercive and plainly terrorist measures. It was not possible, by any means, to compel the factory owner and the individual peasant to produce, while simultaneously ruining him by requisitions and restricting his links with the market. To put into effect laws contrary to all private interests . . . it was necessary to strengthen the dictatorship of the central authority, to systematize it, to cover all France with police and military, to abolish all freedoms, to control through a central supply commission all agricultural and industrial production, endlessly to resort to requisitions, to seize hold of transport and trade, to create everywhere a new bureaucracy in order to operate an immense supply apparatus, to limit consumption by ration cards, to resort to house-searches, fill prisons with suspects, cause the guillotine to be constantly at work. Political terror merged with economic terror, and went in step with it.<sup>14</sup>

This picture shows a common logic in operation in France in 1793 and Russia in 1918. Given the conditions under which privately-owned industry was to operate, given also the rationing not only of consumer necessities but also (as supplies ran down) of many vital materials and fuels, there was a fatally logical escalation in the degree of state control, state operation and finally also state ownership. No doubt there was also some pressure from those party zealots who believed that the revolution had to go much further much more quickly. No doubt too that Lenin's repeated and eloquent words about bourgeois exploiters, and his use of 'workers' control' as a deliberate disorganizing device for weakening the bourgeoisie, contributed to the nationalization drive when it came, as it also contributed to making the work of private management utterly impossible, even with the best will in the world. (However, there is no reason why they should have shown good-will to a regime which had usurped power and publicly announced that their ruin was a good and desirable objective.)

#### DISCIPLINE VERSUS SYNDICALISM

A conflict with the left communists broke out in the very first months, over the question of discipline and control. For Lenin,

'workers' control was a tactical device, just as in the army a revolt against officers and propaganda in favour of an elective command was an effective means of disrupting the old military structure. But once power was achieved, Lenin quickly became a firm supporter of discipline and order. We find him speaking of the establishment of strictest responsibility for executive functions and absolutely businesslike disciplined voluntary fulfilment of the assignments and decrees necessary for the economic mechanism to function like clockwork. It was impossible to pass to this at once; some months ago it would have been pedantry or even malicious provocation to demand it [written on 28 March 1918].

Here he found himself in opposition to the left communists, who also opposed him because of his willingness to sign a particularly unfavourable treaty with the Germans.

Undoubtedly the opinion is very widely held that there can be no question of compatibility [of one-man managerial authority with democratic organization]. Nothing can be more mistaken than this opinion. . . . Neither railways nor transport, nor large-scale machinery and enterprises in general can function correctly without a single will linking the entire working personnel into an economic organ operating with the precision of clockwork. Socialism owes its origin to large-scale machine industry. If the masses of the working people in introducing socialism prove incapable of adapting their institutions in the way that large-scale machine industry should work, then there can be no question of introducing socialism. . . . The slogan of practical ability and businesslike methods has enjoyed little popularity among revolutionaries. One can even say that no slogan has been less popular among them. It is quite understandable that as long as the revolutionaries' task consisted of destroying the old capitalist order they were bound to reject and ridicule such a slogan. For at that time the slogan in practice concealed the endeavour in one form or another to come to terms with capitalism or to weaken the proletariat's attack on the foundations of capitalism, to weaken the revolutionary struggle against capitalism. Quite clearly things were bound to undergo a radical change after the proletariat had conquered and consolidated its power and work had begun on a wide scale for laying the foundations of a new, i.e. socialist society.<sup>15</sup>

It is in line with this policy that a decision was taken in March 1918 to take the railways away from 'workers' control' and place them under semi-military command.

Such policies and measures were opposed by Bukharin, Radek, Obolenksy and others. They resented Lenin's emphasis not only on discipline but also on the need for material incentives, piece-work and specially favourable conditions for the employment of bourgeois specialists. They accused Lenin of moving towards state capitalism. Lenin replied with eloquence in an article entitled 'Left-wing childishness'. He refused to regard the accusation of state capitalism as an accusation at all. If state capitalism were established this would represent an advance on the existing situation. The real conflict, he asserted, was not between state capitalism and socialism, but between both state capitalism and socialism on the one hand and the menacing alliance of the petty bourgeoisie with private capitalism on the other. The left opposition continued throughout this period to criticize measures designed to strengthen discipline through centralization and one-man management, and we shall find basically the same issues being debated again in 1920-21.

Needless to say his left opponents quoted many of Lenin's words against him. Had he not written in 'State and Revolution' that specialists should not be paid more than workers? Had he not extolled workers' control? Was his present policy not plainly inconsistent with doctrine? The workers would not understand.

Lenin succeeded in curbing some of the excesses of the workers' councils by having them merged with the trade unions, which were gradually being brought under firm party control. But the experience of workers' councils was defended by him, and is still defended by Soviet economic historians, as a necessary, if materially destructive, stage of the revolution. He found it more difficult to curb the excesses of his own colleagues, and, though (as he later admitted) also being over-sanguine himself on occasion, he repeatedly was having to combat what he called the 'infantile disorder' of leftism.

It may well be, as Dobb argued,<sup>16</sup> that Lenin had no intention at first to launch into the extremes of war communism, that he was driven by emergencies of war, hunger and chaos into an attempt to control everything from the centre. Certainly we cannot disprove this proposition. We can say that his own policies contributed to the chaos, of course. He boasted that these had

'destroyed the discipline of capitalist society'. In doing so, he had for a time helped to destroy all order. It is also the case that a proposal, seriously mooted in the spring of 1918, to have mixed state-and-capitalist enterprises, was rejected. And it was presumably with Lenin's approval that the chief of VSNKh in May 1918, Milyutin, spoke of 'completing the nationalization of industry'. But we will return to this point later.

#### 'PRODRAZVERSTKA' AND STATE MONOPOLY OF TRADE

The slide into war communism was stimulated by the food shortages and the failure of efforts to procure food, especially grain, from the peasants at official prices. Attempts were made to organize sales of goods to peasants, but this had little effect. In May 1918 the Supply Commissariat (*Narkomprod*) acquired more powers to obtain and distribute food. In the end it proved necessary to use force. Lenin spoke on 24 May 1918 of a 'crusade for bread', and there developed a so-called 'food dictatorship', with the local organs of Narkomprod, with the help of workers' detachments and of the *Cheka* (secret police), seizing stocks held by alleged hoarders. This was merged into the campaign against the so-called rich peasants, kulaks, which Lenin had been advocating as the means of spreading Soviet power into the villages. The poor peasants, whom Lenin regarded as natural allies against the rural bourgeoisie, were urged to help in the task. On 11 June 1918 the decree on 'committees of the poor' (*kombedy*) in the villages was issued. One of their principal tasks was 'the removal of surplus grain from the kulaks'. The class war was to be bitterly fought in the villages, and many real or alleged kulaks had some land, equipment and livestock, as well as 'surplus' grain, confiscated. This step, said Lenin, 'was a tremendously important turning point in the entire development and structure of our revolution'. By stages, the compulsory deliveries of food were systematized and given the name of *prodrazverstka*. This untranslatable term is derived from the noun *prodovol'stvie*, meaning foodstuffs, and the verb, *rzzverstar'*, which literally means to distribute or sub-allocate (tasks or obligations, for instance). It came to mean a policy in which

each peasant household was ordered to deliver its surplus to the state. In some cases this was outright confiscation, in others it was virtual confiscation, since the nominal prices paid were very low and there was practically nothing that could be bought with the money. The state demanded all that the peasant had, over and above an ill-defined minimum requirement for himself and his family. The peasants naturally resisted, and either hid their grain or sought to dispose of it through a black market or through illegal barter deals which continued throughout the period. To combat this the government sent workers' detachments to find and seize grain and to punish the hoarders, and it also sought to utilize the committees of the poor peasants, to set them upon their richer neighbours and so to try and discover grain hoards. Thus the process of grain confiscation went hand in hand with the effort to fan class warfare in the villages. A bitter struggle was waged between the government and the peasants and among the peasants themselves. Armed detachments sought to prevent the illegal movement of food to urban markets, although in many cases this was the only way in which food could in fact reach the towns, owing to the inefficiency and inadequacy of the official collection and distribution network.

Peasants resented prodrazverska deeply, and numerous riots broke out. Some parts of the country were in the hands of so-called 'greens', who were against both 'reds' and 'whites' in the civil war and stood for peasant rights. Some of them were of semi-anarchist complexions, notably a powerful peasant anarchist movement in the Ukraine led by Nestor Makhno, who was a major force in 1919. Others were little better than bandits. In his novel *Julio Jurenko*, Ilya Ehrenburg painted a sarcastic picture of the peasant attitudes of the time. Peasants, he wrote, were all for liquidating communists, officers, Jews.

The main thing, however, was to burn all the towns, for that's where trouble and dissension began. But before burning them it would be necessary to salvage any property that might come in useful, roofing for instance... men's coats, pianos. That was their programme. As for tactics, the most important thing was to have a small cannon in the village and about a dozen machine-guns. Don't allow strangers to come near, and replace exchange of goods by raids on trains and requisitioning of passengers' baggage, which was far more sensible.<sup>17</sup>

Yet in the end fear of a return of the landlords kept enough peasants loyal to the Bolshevik cause to ensure their ultimate victory in the civil war. For in most 'white' areas the landlords did come back, and peasants who had seized their land were often punished.

However, the peasants could see little sense in producing farm surpluses which would be taken from them by requisition squads. Sowings were reduced. Production fell. It became ever more difficult to find surpluses, though the government's procurement organizations became more efficient and the requisitioning detachments more ruthless as time went on. Actual state procurements of grain, according to official sources, did increase. Thus in the agricultural year 1917-18 total procurements amounted to 30 million poods and in 1918-19 to 110 million poods.<sup>18</sup> Lenin declared that 'this success clearly speaks of a slow but definite improvement in our affairs in the sense of the victory of communism over capitalism'. It did not mean that conditions in the towns in fact improved. Throughout this period it was in fact quite impossible to live on the official rations, and the majority of the supplies even of bread came through the black market. The government was never able to prevent this market from functioning, but did sufficiently disrupt it to make food shortages worse. There arose a class of people known as *mestochniki*, or men with sacks, who moved foodstuffs and dodged the guards who tried to stop illegal trade. Many townsmen abandoned their work and moved to the country where at least there was some food. Many of the workers, being of recent peasant origin, were able to rejoin their relatives in the villages. There was a spectacular decline in the population of big cities, especially those which, like Petrograd, were far from sources of food. The townsmen who remained shivered hungrily in their unheated dwellings. The so-called bourgeoisie were often deprived even of such small rations as workers had, and had to sell off their belongings in order to buy black market food. A famous Soviet humourist described a barter deal in which a peasant acquired a grand piano in exchange for a sack of grain. The piano was too large for the peasant's hut and so it was cut into two and part of it stored in an outhouse.

Kritsman described the existence of two economies, one

legal and the other illegal. Despite all the efforts to requisition bread grain, in 1918-19 60 per cent of its consumption in cities passed through illegal channels. He estimated that in January 1919 in the provincial (*gubernskie*) capitals – i.e. most large towns – only 19 per cent of all food came through official channels; the figure rose to 31 per cent in April 1919, and fluctuated thereafter; it was only 29 per cent in April 1920. This illustrates most clearly the limitations of the government's 'political' grip, the extent to which it was struggling with forces it could not control, for all its ruthlessness. Lenin could cajole and threaten, the detachments of the Cheka could confiscate and shoot. Yet at certain moments even the government itself was compelled to 'legalize' illegal trade. For example, in September 1918 the wicked speculators and meshochniki were authorized to take sacks weighing up to 1½ poods (54 lbs) to Petrograd and Moscow, and in this month, according to Kritsman, they supplied

four times more than did the official supply organization.

The government tried to encourage various forms of rural cooperation, varying from the loosest associations for the joint cultivation of the soil to fully-fledged communes and state farms. More will be said about these various types in the next chapter. It is sufficient here to note that even at the height of war communism all these varieties of collective or cooperative farming covered only a tiny minority of households. In other words, they had little immediate significance for the agricultural situation. They were, however, regarded as politically important. Thus a decree published in February 1919 spoke of a transition to collective farming. No such transition occurred in 1919. But all this helped to set a precedent for subsequent events.

Lenin did see in these still ineffective moves towards collectivization the path to the future. As already pointed out, he was aware of the limitations of small-holder agriculture and conscious of the political difficulties which would arise from the dominance of a private peasant economy. It is interesting in this connexion to quote the evidence of H. G. Wells, who saw Lenin in 1920. The following is his report:

'Even now,' said Lenin, 'not all the agricultural production of Russia is peasant production. We have in places large-scale agriculture. The

government is already running big estates with workers instead of peasants where conditions are favourable. That can spread. It can be extended first to one province, then another. The peasants of the other provinces, selfish and illiterate, will not know what is happening until their turn comes! It may be difficult to defeat the Russian peasant en masse; but in detail there is no difficulty at all. At the mention of the peasant, Lenin's head came nearer mine; his manner became confidential. As if after all the peasant *might* overhear.'<sup>19</sup>

One sees here a hint of Stalin's later deviousness, not to say plain dishonesty, in respect of his peasant policy. However, this should not lead us to conclude, as Stalin later wished us to conclude, that the collectivization drive of 1930 represented Leninist policies. It is true that Lenin and his more far-sighted colleagues already in 1918 saw not only the acute problem of persuading peasants to part with food in the critical days of the civil war, but also a long-term contradiction between peasant individualism and the socialist transformation of society. However, as we shall see, Lenin drew lessons from the bitter experience of the war communism period, and in his last years counselled care and moderation.

#### THE MONEY ILLUSION AND ECONOMIC COLLAPSE

In nightmare conditions of civil war, mismanagement, chaos, hunger and breakdown, the rouble collapsed. The bulk of state expenditure was met through the printing press. Free market prices rose month by month. I myself recall as a small child giving a banknote of considerable face value to a beggar, who returned it to me saying that it was valueless. From March 1919 state enterprises were wholly financed from the budget, i.e. they obtained from the budget all the money they needed, and paid their receipts into the budget. Most transactions between state enterprises were of a book-keeping nature only and not for cash. All this was a gradual process. It began with cash advances by VSNKh to meet wages payments and other expenses for those enterprises which happened to have run out of liquid resources. This practice spread. At first, many of the advances were supposed to be credits and not grants. However, in the

general conditions of chaos and collapse, the practice of meeting the running expenses of the economy out of the budget became almost universal and cash payments gradually lost their significance. Typical of the views held at this time was a resolution of the second all-Russian congress of S.N.K.H. (economic councils) to the effect that

state industrial enterprises should deliver their products to other state enterprises and institutions on the instructions of the appropriate organs of V.S.N.K.H. without payment, and in the same way should obtain all the supplies they require, and that the railways and the state merchant fleet should transport gratis the goods of all state enterprises. In making this proposal, the congress expressed the desire to see the final elimination of any influence of money upon the relations of economic units.<sup>20</sup>

This policy was gradually brought into full effect during 1919. This led to what was called the 'naturalization' of economic relations. To cite Venediktov again:

Enterprises in fact made no payment for materials and services obtained from other state institutions, since all expenditures took place by book-keeping and took the form simply of the transfer of working capital allocations from one account to another. The next step was the gradual abolition of monetary charges levied on state institutions for communal services, first in Moscow and later throughout the country. At the same time workers and employees and their families and also some other strata of the population were no longer charged for food-stuffs and consumer goods, for postal and transport services, for housing and communal services, etc. This extended not only to the state sector but also to the working elements of the town and some groups of rural residents, families of soldiers and invalids, etc.<sup>21</sup>

This entire process reached its apogee at the end of 1920 and was undoubtedly deeply influenced by the ideology which was so widespread among the party during the period of war communism. Indeed Venediktov himself noted in his book that some of the most extreme measures in this direction were taken after final victory had been achieved in the civil war.

In other words money lost its effective function within the state sector of the economy, and had precious little function at all.

In 1919-20 workers' wages were largely paid in kind, the meagre ration being free. Overcrowded tramcars and trains, insofar as there were any, were free also, as were municipal services. By 1920 there was even an attempt at a moneyless budget. This has been well described by R. W. Davies. As he put it:

When it proved impossible to stabilize the currency and a centralized war communism economy began to be established, the earlier cautions about the dangers of the rapid transition to a moneyless system were heard less often. News spread that the civil war system of complete state ownership and the abolition of the market was the full socialism of Marx and Engels, and that money was therefore an anachronism. And this view was strengthened by the inflation which seemed in any case to make the abolition of money inevitable. By the middle of 1920 the view that the time was ripe for the complete establishment of a moneyless system was almost universally accepted and attention was turned to the problems of operating an economy in kind. In the sphere of the budget the central problem became the replacement of the money by a budget or balance of state income and expenditure in kind (a material budget), a unified plan for utilizing the material resources of the economy.

Since the various goods had to be expressed in some common denominator, there were discussions about finding such a denominator in labour units. War communism ended before some of these ideas could find any practical expression.<sup>22</sup>

Lenin himself, in writing or approving the draft programme of the Communist Party in 1919, included the following phrases:

To continue undeviatingly to replace trade by planned, governmentally-organized distribution of products. The aim is to organize the whole population into producers' and consumers' communes. . . . [The party] will strive for the most rapid carrying out of the most radical measures preparing the abolition of money.

A Russian commentator has noted the contrast between these words and Lenin's own insistence on a very different policy two years later, emphasizing that experience taught him that this was the wrong road.<sup>23</sup>

As money lost all value, private trade was declared illegal and

the nationalization of practically all industrial enterprises was undertaken, voices came to be raised among the communists that they were even now in the process of establishing a true socialist economy. The most intelligent ideologist of left communists, Bukharin, devised a theory to the effect that in revolutions there is an inevitable mass destruction of means of production, and that by thereby destroying the structure and social habits of the past it would be possible to build from scratch the true socialist Russia. Markets, money, buying and selling, these characteristics of capitalism would swiftly vanish. So would economics, a science related to commodity exchange and to private property in the means of production.<sup>24</sup> Of course Bukharin and his friends were well aware of the appalling shortage of goods of every kind, and did emphasize the necessity of increasing production. However, they retained at this period a Utopian and optimistic set of ideas concerning a leap into socialism, which would seem to have had little to do with the reality of hunger and cold. Chaos increased. Industrial production fell rapidly. The destructive civil war disrupted communications and made life more difficult still, while calling upon the remnants of industry to supply virtually everything for the needs of the front.

Shortage of food was perhaps the key problem. The government's policy towards the peasants gave no hope of any improvement, since it provided no incentives to produce. Early in 1919 the government wound up the committees of the poor which had wrought such havoc. But the policy of requisitions and armed detachments was maintained unchanged through 1919 and 1920. Measures that made sense, if at all, only in terms of the emergency and disruption came to be regarded as good in themselves. Yet the vast majority of the people obviously yearned for greater freedom of trade, and the authorities knew it very well. They obstinately refused to contemplate such a surrender, as they saw it, to the petty-bourgeois instincts of the masses. However, their position became more vulnerable with the sharp and continuous decline in the numbers of townspeople, the halving within two years of the working-class population itself, the proletariat in whose name the communist party exercised its dictatorship. There were 2·6 million workers in

1917, 1·2 million in 1920.<sup>25</sup> Chaos and misery were unbearable, or rather would become unbearable as soon as the civil war which gave them some conceivable *raison d'être* was over.

It is hard for a prosaic writer without literary gifts to picture the state of Russia at this period. It is true that many remote and isolated villages lived their lives as usual, but over most of the country normal life had become impossible. H. G. Wells, in his book quoted above, spoke of

harsh and terrible realities... Our dominant impression of things Russian is an impression of a vast irreparable breakdown. The great monarchy which was here in 1914, the administrative, social, financial and commercial systems connected with it have, under the strains of six years of incessant war, fallen down and been smashed utterly. Never in all history has there been so great a débâcle before. The fact of the revolution is to our minds altogether dwarfed by the fact of this downfall... The Russian part of the old civilized world that existed before 1914 fell and is now gone... Amid this vast disorganization an emergency government supported by a disciplined party of perhaps 150,000 adherents - the Communist Party - has taken control. It has - at the price of much shooting - suppressed brigandage, established a sort of order and security in the exhausted towns and set up a crude rationing system.

Wells gives a frightening picture of Petrograd, in which all wooden houses were pulled down for fuel and even the wooden pavings had been used for the same purpose. All this accords with the picture of the period which one obtains from reading such a novel as *Dr Zhivago*. Another Russian novel, Gladkov's *Clement*, described the effect of the chaos of the time on the operations of a factory. Amid desperate shortages of materials and fuel, the remaining workers made cigarette lighters out of pilfered metal in order to have something to barter for food. The tremendous shake-up and disruption of these years left a scar on the memories and consciences of millions of people, and it is not surprising that the experiences of the period with their grandeur and miseries played such an important part in subsequent literature. The following is the statistical expression of collapse:

	1913	1921
Gross output of all industry (index)	100	31
Large-scale industry (index)	100	21
Coal (million tons)	29	9
Oil (million tons)	9.2	3.8
Electricity (million Kwhs)	2039	520
Pig iron (million tons)	4.2	0.1
Steel (million tons)	4.3	0.2
Bricks (millions)	2.1	0.01
Sugar (million tons)	1.3	0.05
Railway tonnage carried (millions)	132.4	39.4
Agricultural production (index)	100	60
Imports ('1913' roubles)	1374	208
Exports ('1913' roubles)	1520	20

(SOURCES: *Pravdilenost' SSSR* (Moscow, 1960), p. 32; *Vreshnyaya rogovaya SSSR za 1918-40 gg.* (Moscow, 1960), p. 13; *Narodnoe khozyaistvo SSSR*, 1932, p. XXXIV; *Sotsialisticheskoe strangel'stvo* (Moscow, 1934), pp. 2, 4; *Etapy ekonomicheskoi politiki SSSR*, P. Vaisberg (Moscow, 1934) p. 55.)

NOTE: Some of the above figures do not refer to strictly comparable territory.

The collapse of foreign trade was due not only to the prevailing chaos, but also to the blockade maintained during the civil war by the Western powers. There was a sizeable British naval force in 1919-20 in the Gulf of Finland, for example, blockading Leningrad.

VSNKh endeavoured to cope with an impossible job. By September 1919, according to Bukharin, there were under its control 3,300 enterprises, employing about 1.3 million persons, or so the statistical records purported to show, while Bukharin himself thought the number of nationalized enterprises was about 4,000, but presumably the figures here given only relate to those within the purview of VSNKh. Of the above-mentioned enterprises, 1,375 were functioning in September 1919. Amid the general breakdown of transport and communications, the unpredictable movements of the war fronts, the demands of the military for all available supplies and its own clumsy and inexperienced mishandling of materials allocations, VSNKh could only struggle to mitigate where possible the general collapse of economic life. Chaos was increased by arbitrary

arrests of real or alleged 'bourgeois', including specialists, derivation of rations, and so on. Successive reorganizations considerably expanded its administrative apparatus. In Bukharin's conception VSNKh was in a very real sense acting as a single state firm. In 1919-20, through its various glavki, it distributed such materials as were available, issued orders as to what to produce, which of the desperate needs to satisfy, and in what order. This was indeed, as Bukharin noted, an attempt at total and moneyless planning, though in a disintegrating economy under conditions of civil war, with little effective coordination between VSNKh's own glavki, let alone other controlling bodies. He noted that in September 1919 about 80-90 per cent of large-scale industry had been nationalized, and he correctly foresaw that this figure would reach 100 per cent. However, in view of the fact that he was a leader of the left extremists at this period, it is interesting to note that he, and also Preobrazhensky, his co-author, added the following words:

We must remember that we do not expropriate petty property. Its nationalization is absolutely out of the question, firstly because we would be unable ourselves to organize the scattered small-scale production, and secondly because the Communist Party does not wish to, and must not, offend the many millions of petty proprietors. Their conversion to socialism must take place voluntarily, by their own decision, and not by means of compulsory expropriation. It is particularly important to remember this in areas where small-scale production is predominant.<sup>25</sup>

In line with the above conceptions, the decree of 26 April 1919 specified that there should be no nationalization of any enterprise employing five persons or less (ten persons in the absence of a power-driven machine).

Despite the above, many thousands of small workshops were in fact nationalized, even though the state was quite unable to make them function. The statistics of the period were muddled, to say the least. The invaluable Kritsman gave a number of contradictory figures. Thus VSNKh claimed that on 1 November 1920 there were 4,420 nationalized enterprises, while another source made it 4,547. Yet in August 1920 an industrial census counted over 37,000 nationalized enterprises. Of these, however,

over 5,000 employed one worker only. Many of these 'enterprises' were, apparently, windmills! This illustrates the fantastic extremes to which nationalization was pushed in 1919-20, despite the clear impracticability of such action.

Kritsman called the resultant confusion 'the most complete form of proletarian natural-anarchistic economy'. Anarchistic because of conflicts between different administrative instances, and because of lack of any coherent plan. Anarchistic too because of the 'shock' (*udarny*) of campaigning methods, by which the authorities rushed from bottleneck to bottleneck, creating new shortages while seeking feverishly to deal with others. He claimed that it was 'heroic'. He knew and said that it was chaotic.

The war emergencies and the transport breakdown were ever-present reasons for tighter control. Already in November 1918 the Council of Workers' and Peasants' Defence was set up to collect and utilize resources for war. This council sprouted a number of committees with strangely abbreviated names such as *Chrezkomsnab* and *Chuzosnabarm*, with special powers over defence industries, including those administered by VSNKh.

In March 1920 it became the Council of Labour and Defence (*Sovet truda i oborony*, STO). Lenin was its chairman, and its authority conflicted with, and became superior to, that of VSNKh. The STO became the effective economic cabinet and issued binding decrees on all kinds of things, from nationalization to boots. VSNKh, the STO and the government in 1920 were prone to set up committees to make plans for the expansion of production in future years. For this purpose a number of so-called bourgeois specialists were drawn in. They used the work of such men as Grinevetsky, though this able engineer-planner was an anti-Bolshevik. Some of these plans represent interesting pioneering efforts at thinking out means of developing Russian natural resources on a large scale, even though in the short run nothing whatever could have been done to make a reality of them. The best known of these plans was the so-called GOELRO, the plan for electrification of Russia to which Lenin paid so much attention and which Wells in his book described as senseless dreams amid the universal ruin. This was 'the first long-term development plan in human history'.<sup>27</sup> The plan was

presented to a Congress of the Party in Moscow in 1920 by the old Bolshevik engineer, Krasinhanovsky. He illustrated the plan with a vast map of Russia in which electric light bulbs showed the electrification of the future. Such was the state of Moscow's electricity supply at the time that it was necessary to cut off almost all the city in order to ensure that these lights on the map would not cause overstrain at the power station. The organization responsible for GOELRO was eventually merged with the nascent planning organs, as will be mentioned later on.

By the end of 1918, another body was undertaking the coordination of resource allocation: this was the Commission of Utilization (*Kommisija ispol'zovaniya*), which, as its title suggests, was concerned with distribution, not production. It was inter-departmental, and tried to reconcile conflicting interests of the various glavki and commissariats. In doing so, it began, however haltingly, the practice of drawing up material balances, later to become an essential feature of Soviet planning.<sup>28</sup>

One gets the impression of utter administrative confusion, described by Vaisberg as 'administrative partisan war'. Central organs, in and out of VSNKh, while enforcing stern centralization were often at odds with one another. No unified plan existed. There was priority for war, and numerous improvisations as the economy staggered from critical shortage to outright breakdown. But, to cite Vaisberg again, 'one must not forget – and this is most important – that under these conditions the party coordinated the multitude of plans and operational decisions of the glavki, replacing the non-existent unified national-economic plan and ensuring military victory'.<sup>29</sup> And within the party the effective body, supreme over all, was the political bureau.

During the war communism period the party fervently debated the linked issues of industrial administration and the role of the trade unions. We have seen that the original principles of workers' control involved a species of undefined supervision over the function of management, which gave rise to much indiscipline and strengthened syndicalist tendencies. The merging of the workers' councils with the trade unions could only improve the situation on condition that the trade unions were not behaving as sectional interest organizations and that they would do

something effective to impose discipline. This concept of the trade unions was at variance with their representative character. It is true that the unions were increasingly under the control of members of the Bolshevik party. However, these members were not yet behaving like obedient cogs in a machine, and themselves embodied tendencies which could only be described as syndicalist in nature. Many also had, as we have seen, illusions concerning the innate virtue of working-class initiative. Opposition to Lenin crystallized around the issues of one-man management and the role of the unions. Gradually, through 1919 and 1920, Lenin succeeded in having the principle of one-man management in industry introduced, but even as late as March 1920 he admitted his failure to persuade the Bolshevik faction in the trade unions to accept his ideas on this subject. In this respect, as in others, there were no clear rules of conduct. Thus management took the following forms in various places:

- (1) A worker in charge, with a specialist assistant and adviser.
- (2) A specialist in charge, with a worker-commissar attached to him.
- (3) A specialist in charge, and a commissar who had the right to query but not to countermand his orders.
- (4) A collegium, with a responsible chairman.<sup>30</sup>

Lenin's principle of 'iron discipline', to which he returned again and again, eventually overcame the concept of a management collegium which included representatives of the workers. The so-called Workers' Opposition, led by Shlyapnikov and Kollontai, thought in terms of trade-union control over the economy. This was not at all Lenin's view. He saw in the party the embodiment of the true interests of the entire working class, and would not allow any counterposing of trade unionist or sectionalist interests to the supreme authority of the party. It is interesting to note, in view of recent Chinese policies, that the Workers' Opposition, in its speeches to the tenth party congress in 1921, advocated that every member of the party, whatever his position, should be an ordinary worker for several months in the year.

At the other extreme Trotsky advocated the militarization of labour. His views arose out of the desperate situation of 1920.

A 'military' attack on the chaos in rail transport did have some success. He took the view that the urgency of the need for reconstruction was such that it justified the creation of a kind of labour army which would work under military discipline. Lenin opposed this view. The trade unions in his opinion still had protective functions, given the bureaucratic deformations from which the Soviet state still suffered.

These debates may seem to be of fundamental importance. It might appear that they were concerned with the 'conscience of the revolution' and the very essence of the nature of the Soviet state. Those who take this view may therefore deplore that so little space has been devoted here to the arguments of the protagonists. The arguments were of course deeply felt. Yet one must ask oneself whether the debates really made much difference to reality. It was natural that some communists would advocate direct working-class control over the factories, and that this would conflict with the need for discipline and order. It was natural, too, that the advocates of discipline and order would triumph, especially in the chaotic conditions of the period. The issue of whether or not the apparatus of economic control should be under the trade unions, which seems so fundamental, was surely in a very real sense a pseudo issue. If the trade-union apparatus had taken over the tasks of running industry, it would have become transformed into another version of VSNKh, the economic department of government. It was quite impossible for the unions to retain their characteristics in this new role. As for the militarization of the economy, Trotsky's mistake was surely to ignore the longings of the demobilized soldiers and overwrought citizens for the status of free workers. The unions were of course incorporated into the system and used as a 'transmission belt', between party and masses.

Nor was Lenin opposed to *ad hoc* militarization. Here, for instance, is one of his draft decrees: 'In a belt stretching 30-50 versts on both sides of the railway lines, introduce martial law for labour mobilization to clear the tracks.'<sup>31</sup> He repeatedly urged the mobilization of the bourgeoisie for compulsory labour. A resolution approved by him during the height of the argument with Trotsky favoured 'sound (*zadoryye*) forms of the militarization of labour'.<sup>32</sup> Yet the fact remains that

acres of scarce paper and tons of scarcer ink were devoted at this time to this particular discussion, by Lenin and many others.

#### THE ESSENCE AND ENDING OF WAR COMMUNISM

So we can identify the following characteristics of war communism:

- (1) An attempt to ban private manufacture, the nationalization of nearly all industry, the allocation of nearly all material stocks, and of what little output there was, by the state, especially for war purposes.
- (2) A ban on private trade, never quite effective anywhere, but spasmodically enforced.
- (3) Seizure of peasant surpluses (*prodrazversika*).

(4) The partial elimination of money from the state's dealings with its own organizations and the citizens. Free rations, when there was anything to ration.

(5) All these factors combined with terror and arbitrariness, expropriations, requisitions. Efforts to establish discipline, with party control over trade unions. A siege economy with a communist ideology. A partly-organized chaos. Sleepless, leather-jacketed commissars working round the clock in a vain effort to replace the free market.

By the beginning of 1920, the White armies were fleeing on all fronts, and the Bolsheviks were in control of an exhausted country. The time had come to consider the basis on which reconstruction could be achieved. No longer was it possible (or necessary) to subordinate all considerations to the struggle for survival. The means of recovery were now to hand. At the end of 1918 and for much of 1919 the Soviet-held territory of Russia was cut off from most of its customary sources of textile materials (Turkestan and the Baltic states), from oil, from the Donets coal basin, from the wheatlands of the North Caucasus and of the Ukraine, from most of its iron and steel plants. All these had returned to Soviet hands. True, they were in a deplorably rundown or decrepit state. But the resources were available, and needed to be activated. The task of reconstruction had to be tackled and the attention of the party leaders was increasingly

devoted to this. The Polish invasion (May 1920), the subsequent Russian advance on Warsaw, and the painful retreat, interrupted for a time the process of re-thinking, by providing yet another reason for emergency measures. But fighting with Poland ended in October 1920.

However, the key problem was the relationship with the peasants, and also the related problems of freedom of trade and of private small-scale industry. It was becoming increasingly clear that the state organs were quite unable to cope with running all sections of industry and with the processes of material allocation, rationing and trade. Requisitioning (*prodrazversika*) was bitterly resented by the bulk of the peasants, and agricultural recovery was impossible unless they could be given some incentives and a sense of security. State farms were not an acceptable solution and the peasants were strongly opposed to the transfer to them of any usable land which they themselves wanted. Trotsky may have appeared to be an extreme supporter of discipline, in that he favoured militarization of labour in 1920. Yet the same Trotsky was the first prominent Bolshevik to accept publicly the need to abandon *prodrazversika*, to substitute a tax in kind and to allow greater freedom for trade, or at least to barter. He said as much in February 1920. The same view was urged with eloquent indignation by the still-active Mensheviks, especially F. I. Dan. Such proposals were strongly opposed by Lenin, who at this time seemed to have come to regard free trade in grain as a state crime. Yet he was on record as saying that requisitions were a necessary and temporary phase, arising from the emergency situation and the general destitution of the country. He could surely not have imagined that peasants would or could be persuaded (for long) to hand over their surpluses for what he himself described as 'coloured pieces of worthless paper'. He seems to have hoped for some sort of organized product exchange, which would still cut out private traders and keep the peasants wholly dependent on state sources of supply. Certainly the speeches of the time, and also such novels as *Cement* by Gladkov, show that a great many party members were devoted to the proposition that free trade and private manufacturing were sinful, that to allow such things was to surrender to the enemy, and that the wide-spread black market

was an evil to be firmly suppressed. Later on, Lenin admitted that he too was affected by the prevailing atmosphere. On 29 April 1920 he said: 'We say that the peasants must give their surplus grain to the workers because under present-day conditions the sale of these surpluses would be a crime.... As soon as we restore our industry, we will make every effort to satisfy the peasants' needs of urban manufacturers.'<sup>33</sup> Yet two days earlier he had said: 'We will not feed those who do not work in Soviet enterprises and institutions',<sup>34</sup> which meant it was a crime for them to eat.

In fact, he seems to have gone right off the rails. Far from modifying the extremes of war communism, the decrees adopted towards the end of 1920 were more extreme than ever. Prodrazverska was strongly reasserted. Aware of the 'accursed vicious circle' – no industrial production meant no food in towns, no food in towns meant no industrial production – he tried to break out by more ruthless requisitioning. The peasants, he knew, 'needed [industrial] products, not paper money'. He was willing to say that 'we admit ourselves to be despots to the peasants'. But he insisted on their duty to deliver up their surpluses. Even as late as 27 December 1920, speaking to a conference in Moscow, he urged still more attacks on alleged kulaks, a category he refused to define: men on the spot would know; a man who bought a horse for five poods of grain was a kulak, for instance. When a delegate implied that delivery obligations of his area (Stavropol, North Caucasus) might be reduced, so as to avoid 'confiscations ... and so as not to destroy the economy', Lenin told him: 'Act as you acted before. With strict conformity to the decree of the Soviet regime and your communist conscience,' which clearly meant – confiscate.<sup>35</sup> To be fair, on the very same day he found himself in a minority when he proposed the issuing of bonuses in kind to peasant households who produced more. His colleagues thought that bonuses should go only to agricultural associations of various kinds. Lenin replied: 'We have twenty million separate households, which are individually run and cannot be run otherwise. Not to reward them for increasing their productivity would be basically wrong.'<sup>36</sup> On 8 February 1921 Obolensky proposed to the central committee that prodrazverska should be abolished

and Lenin apparently approved.<sup>37</sup> He started making drafts of resolutions on the subject.

Yet as late as 24 February 1921, faced with what he described as kulak risings and a catastrophic situation, he blamed the peasant risings on an S-R conspiracy fomented from abroad. Why? 'The connexion may be seen because the rebellions occur in those regions from which we take bread grains.'<sup>38</sup> Such an absurd statement suggests he was overwrought, or just not thinking. But by then he was about to make up his mind that change was necessary.

In December 1920, too, an attempt was made to control by decree the sowing and harvesting on the twenty million peasant holdings. Of course, this could not be made effective. But the declaration of intent was made, and organizations to carry it out were set up (*posevkomy*, sowing committees), which is a significant index to the party's mentality at the time. The same extremism showed itself in industrial policy. Here too, as on the food front, Lenin in the same year thought in terms of organized action, priorities, suppression of the market. Industry must be started again, food must be provided. 'We must concentrate all our efforts on this task. ... It has to be solved by military methods, with absolute ruthlessness, and by the absolute suppression of all other interests'; so he said to the executive of the Soviets on 2 February 1920.<sup>39</sup> Perhaps it is in the last few words of this quotation that one finds the clue to the policy pursued in that year. Collapse was total. Priority of reconstruction must also be total. But the great illegal underground market economy, defying all efforts to control it, was sucking resources away, corrupting the apparatus and the proletariat alike. Very well, suppress it totally. So they must have argued. Only a year previously Bukharin and Preobrazhensky, both at this time known for their 'leftism', had quite explicitly stated (in their 'ABC of Communism') that nationalization of small-scale industry would be 'absolutely out of the question' (see page 69). So Lenin would hardly have been acting under pressure from them. This whole leap into extremism in the last months of 1920 plainly perplexed Kritsman, who made no attempt to explain it. He quoted the decree nationalizing all small-scale industry, which was dated as late as 29 November 1920, though by then

most of it had already been either nationalized or paralysed. Of course, the administrative organs were quite unable to cope with thousands of tiny productive units. Chaos increased. Thus in that year efforts were made to retain, for the reconstruction period at least, the characteristic methods of war communism. But this proved impossible.

Events forced their hand. Peasant riots grew in intensity as the menace of a White victory in the civil war receded. Bandits roamed wide areas. In some provinces it proved necessary to despatch large armies to suppress rebellion, particularly the Antonov rising in Tambov. Food supplies were gravely endangered. The final straw was the Kronstadt rising, when the sailors rebelled against the miserable conditions of life, and in their slogans reflected the peasants' hostility to the party's policy. This rising began on 28 February 1921. But probably on 8 February, at latest on 24 February 1921, there were clear indications that Lenin had seen that a drastic change of line had become necessary. He expressed willingness to consider the end of *prodravverstka*.<sup>40</sup> The rising may, however, have helped to convince even the more extreme of the Bolshevik leadership that a sharp about-turn was a matter of life or death for the regime – and therefore also for them. The New Economic Policy was born.

#### WHY WAR COMMUNISM?

We must now return to the theme with which we started this chapter. Was war communism a response to the war emergency and to collapse, or did it represent an all-out attempt to leap into socialism? I have already suggested that it could be both these things at once. Perhaps it should also be said that it meant different things to different Bolsheviks, and this is an important element in our understanding their view of the about-turn of 1921. Some felt that the days of 1918–20 were not only heroic and glorious days of struggle, leading to victory against heavy odds, but were also stages towards socialism or even the gateway to full communism. Some of these men were deeply shocked by the retreat, which seemed to them a betrayal of the revolution. Others saw the necessity of the retreat, but were above all

concerned with limiting its consequences and resuming the advance at the earliest date. Still others – some of the future right wing among them – looked forward to a prolonged pause, and saw in war communism at best an unavoidable series of excesses. For them a large private sector in small-scale industry and trade, linked with an overwhelmingly private agriculture, was the condition of political security and economic reconstruction, and this would go on for a long time. These attitudes were by no means clear-cut. Lenin himself admitted that he had been over-sanguine about the war communism period. More strikingly still, Bukharin swung from the extreme left to become in the end the ideologist of caution and compromise, as we shall see in the next chapter.

Evidence as to how the Bolsheviks saw the events of 1918–21 may be found in some fascinating debates held in the years 1922–4 at the Socialist (later Communist) Academy. The men who spoke were still able to express frank views, to disagree with one another, speaking of events which they all remembered vividly. This was no official post mortem, or the smooth cleaned-up version of later party histories. It is therefore worth quoting what the various views were, even though all too briefly.

E. A. PREOBRAZHENSKY: You know that in 1918 we introduced nationalization only on a very modest scale, and only the civil war compelled us to go over to nationalization all along the line.<sup>41</sup>

V. P. MITYURIN (one-time head of VSNKh): In (early) 1918 we had no war communism, no all-round nationalization, and it is wrong to say that there were slogans advocating all-round nationalization. On the contrary, we moved cautiously towards taking over a few trusted sectors of industry.<sup>42</sup>

P. A. BOGDANOV (a minor communist, not the philosopher): Two elements determined war communism. The element of *catastrophe*, this is what made war communism necessary in Russia.... The second was a formal element: communism had to be achieved. But who could do it? He who knows how. I will remind you of the Paris Commune. There, in a besieged city, it was necessary to carry out at least some communist measures.... I remember in 1918 how Lenin tried to prepare the ground for the thought that for the present we needed only state capitalism. Yes, we were cautious. I recall how the Bolsheviks felt when power fell into their hands. The first feeling was one of disarray (*rasteryamost*). These were men given by history a gigantic

burden to carry. They tried to act cautiously, but military-revolutionary necessity developed and compelled them, like compelled them, to act as they did.<sup>43</sup>

B. GOREV (ex-Menshevik): The most terrible enemy of the proletariat is the petty-bourgeois peasantry, and this enemy must be neutralized. In this sense the experience of the Russian revolution shows that the nationalization of petty trade should be the last phase of the revolution, and not the first... The difficulty was not in the logic of civil war, as comrade Preobrazhensky thinks, but in the fact that the rebellious proletariat demand equality, that is consumer communism [i.e. he gives weight to pressure from below].<sup>44</sup>

V. FIRSOV (minor communist): NEP was arising already in 1918.

... Then came the period of civil war; 'war communism' appeared. Our movement towards communism thereby slowed down, since socialist construction is impossible when all production potential is utilized unproductively. The war ended... The inevitable NEP<sup>45</sup> appeared, the first stage of our move towards socialism. NEP may be detestable and disagreeable for us, but it is inevitable. Is it a concession, a step back from our ideals? Yes. A move back as against our past? No, since we have nothing to retreat from. We are just beginning to advance. NEP is the advance line of socialist construction.<sup>46</sup>

L. N. KRITSMAN: War communism was a natural-anarchistic

economy. Not a socialist form, but 'transitional to socialism'.<sup>47</sup>

YU. LARIN: We had to run the economy in the almost complete absence of normal economic conditions, and so inevitably the planned economy turned simply into the allocation of whatever was available. ... That is the principal reason why the planned economy under war communism took the form of administrative measures, not of economic regulation but of administrative allocations.<sup>48</sup>

Trotsky, writing in 1920, had this to say:

Once having taken power, it is impossible to accept one set of consequences at will and refuse to accept others. If the capitalist bourgeoisie consciously and malignantly transforms the disorganization of production into a method of political struggle, with the object of restoring power to itself, the proletariat is obliged to resort to socialization, independently of whether this is beneficial or otherwise at the given moment. And, once having taken over production, the proletariat is obliged, under the pressure of iron necessity, to learn by its own experience a most difficult art – that of organizing a socialist economy. Having mounted the saddle, the rider is obliged to guide the horse – in peril of breaking his neck.<sup>49</sup>

So it would be somewhat over-simple to conclude, with Wiles,<sup>50</sup> that the war-communism period represented a model of fully-fledged quantitative planning, or that the communists only later on came to blame war conditions for actions which they had all along intended.

What did Lenin think? In 1920 he could still talk of reconstruction by enthusiasms – such as voluntary extra work, the so-called *subbotniki* – and by continuing strict centralization of economic life. 'We have already seen how he seems to have become "over-enthusiastic" in 1920. Evidence can be multiplied. Thus on 16 October 1920 he telegraphed the Soviet authorities in the Ukraine and urged them to develop collective cultivation, confiscate the money reserves of so-called kulaks (over and above the 'workers' norm', whatever that was), to collect 'fully' all bread-grain surpluses, to confiscate the farm implements of kulaks.<sup>51</sup> True, every now and again he told his comrades that they were going too far, as when, commenting on a draft decree on confiscation of property, he objected to the confiscation of all money held by anyone which exceeded the annual income of a worker, and also the confiscation of all books owned by anyone in excess of 3,000 volumes.<sup>52</sup> But it is clear that by 1920 Lenin was himself going too far, too fast.

He became finally convinced of the necessity of retreat and, true to his nature, he made of the necessity a set of basic principles, of which much more will be said in the next chapter. The new policy was to be carried through 'seriously and for a long time'. In his notes he has left us some interesting insights into his thought-processes. One such note reads: '1794 versus 1921.'<sup>53</sup> The Jacobins, in the French revolution, had found that the terror and economic centralization had lost their *raison d'être* with the victory of 1794. The beneficiaries of the revolution, especially the more prosperous peasants, had pressed for relaxation and freedom to make money. This had swept away Robespierre, and the whole revolution moved to the right after 'Thermidor' (the month of Robespierre's downfall). All Russian revolutionaries had the example of France vividly before them. Lenin's notes show that he intended to carry out the economic retreat to avoid a head-on clash with the forces that broke Robespierre. Robespierre, in his view, failed to take

into account the class nature of his enemies, had struck out against individuals and had been swept away in the end. He, Lenin, would avoid such political consequences by keeping the levers of political power firmly in the hands of a disciplined party.

So it was not a coincidence that the beginnings of NEP were accompanied not only by the final ban on all political parties other than the Bolsheviks, but also – at the tenth party congress in March 1921 – by a ban on factional organization within the Bolshevik party itself.

#### 4. NEP

##### HOW CHANGE CAME

In the years 1921–2, and for a few years thereafter, the entire social-economic balance shifted. The private sector, the 'party bourgeoisie', came to act in a way that seemed to be in total conflict with the ideology and practice of the war-communism period. The role of the market, in relations with the peasants and even within the state's own economic sector, was dramatically enhanced. Yet when at last the bitter logic of circumstances convinced Lenin of the need for change, the full extent and consequences of the change were not, at first, discerned.

We have seen how, all the way up to February 1921, Lenin kept stubbornly on the course of all-round nationalization, centralization, the elimination of money, and, above all, the maintenance of *prodrazverstka*. There was no pressure on him from his colleagues to change this policy. Events, rather than the central committee, provided a potent means of persuasion. The first public sign of second thoughts came in a speech at the plenary session of the Moscow Soviet, on 28 February 1921: he saw the point of a delegate's argument to the effect that the peasants needed to know what they had to deliver to the state, i.e. that the seizure of 'surpluses' be replaced by a tax in kind (*prodnalog*); they would consider this proposal.<sup>1</sup> Once this idea was accepted, however reluctantly, it was bound to lead to a reconsideration of the entire basis of the war communism economy. As already mentioned in the last chapter, any hesitations he may have had left on the subject were overcome when the peasant risings in many parts of the country were followed by the Kronstadt sailors' revolt. This occurred during the sessions of the tenth party congress in March 1921. As emergency military measures were improvised to crush the revolt, so Lenin proposed the substitution of food tax (*prodnalog*) for confiscation of surpluses (*prodrazverstka*).

The decisive decree went through the party and Soviet organs

during March 1921. The tax in kind was fixed substantially below the 'requisitioning' targets of the previous year, and therefore well below the actual needs for produce. Thus the delivery quota for 1920-21 had been 423 million poods, whereas the grain tax in kind for 1921-2 was fixed at 240 million poods. For potatoes the figures were respectively 110 and 60, for meat 25·4 and 6·5, and so on.<sup>2</sup>

In 1924 tax in kind was replaced by a money tax, but this was after the stabilization of the currency was well under way. After payment of tax, the peasants were to be free to use the rest of their produce as they thought fit, and could sell it 'in the local market', in the words of the original decree. But this would make little sense if the object was to encourage sales of food to the food-deficit areas, and so this limitation was quickly forgotten.

And since it was absurd to contemplate peasants travelling hundreds of miles to sell their own goods in remote industrial cities, the legalization of private trade was inevitable too, despite the strong feelings of revulsion which private trade inevitably caused among many party members. Again, at first it was hoped to control such trade strictly, to limit it. 'Freedom of trade', said Lenin to the tenth congress, 'even if at first it is not linked with the white guards, like Kronstadt was, none the less inevitably leads to white-guardism, to the victory of capital, to its full restoration.'<sup>3</sup> Yet in practice the desperate need for free exchange of goods was such that, once trade of any kind was legalized (March 1921), it grew like a snowball and swept away restrictions. Cooperative trading was encouraged, and was particularly successful in selling consumers' goods in the countryside, as well as goods of all kinds in towns alongside the state retail network, which was gradually being built up from the ruins of war communism. However, private traders were allowed gradually to enter into trade deals of almost every kind: selling to peasants, buying from peasants, buying from and selling to state enterprises, selling goods made by state factories as well as those made by a resurgent private manufacturing sector (of which more later).

At first, when the party was persuaded of the need for change, it was thought that the retreat would be limited to the substitu-

tion of 'commodity exchange' (*produktotoeken*) for confiscations. Speaking in October 1921, Lenin frankly admitted this had been an error, an illusion. The only way was trade, and the state and party would have to learn to trade. 'What is the use of talking to us about state trade,' argued a delegate. 'They didn't teach us to trade in prison.' Lenin replied: '... Were we taught how to administer a state in prison?'<sup>4</sup> The logic of events, or 'the elemental forces of the petty-bourgeois environment', swept aside efforts to restrain them.

None the less, the Party firmly held to the decision to retain in the hands of the state 'the commanding heights' of the economy: banking, foreign trade, large-scale industry. But it was recognized that the attempt totally to nationalize manufacturing was an error. Under the conditions of 1921, with shortages of every kind, especially of fuel, many state-operated enterprises had to be closed, and some of these, as well as small workshops nationalized in the previous two years, were leased to private entrepreneurs and cooperative groups of various kinds, payment being in goods, or taxes in money. Such small enterprises as escaped the nationalization decrees were allowed to re-open. On 17 May 1921 the decree nationalizing all small-scale industry was formally revoked. On 7 July 1921 every citizen was authorized 'freely to undertake handicraft production and also to organize small-scale industrial enterprises (not exceeding ten to twenty workers)'. Leasing of enterprises in the possession of VSNKh was regulated by a decree of 5 July 1921, and leasing continued through 1922. Already early in 1922 over 10,000 enterprises had been leased, on terms of two to five years on payment of ten to fifteen per cent of output, but of these the large majority were windmills. 3,800 were appreciable enterprises, employing fifteen to twenty persons, and fifty per cent of the lessees were private individuals, some of them former owners.<sup>5</sup> By October 1923 the number of leased enterprises had risen to 5,698, employing an average of sixteen workers; of these, 1,770 were in food processing, 1,515 in hides and skins. Outright de-nationalization was rare: seventy-six enterprises were 'returned to their former proprietors' by the presidium of VSNKh, an unstated number by provincial organs.<sup>6</sup>

The New Economic Policy was universally referred to as NEP, and the 'privateers' who flourished under it were known as 'Nepmen'. It was a form of mixed economy, with an overwhelming private agriculture, plus legalized private trade and small-scale private manufacturing. We shall show later on that the 'Nepmen' did make considerable headway. However, the authorities did not allow the creation of big private enterprises, though a total of eighteen private enterprises did employ 'between 200 and 1000 workers' each in 1924-5.<sup>7</sup> The vast majority of those engaged in manufacturing and mining worked for the state.

#### FAMINE

But the still feeble economy was struck at once by a disaster of the first magnitude. The cumulative effect of years of prodravverska had caused a marked reduction of sowings, and on top of this there was a severe drought in the east and south-east. The result was an appalling famine. The 1920 grain harvest, only fifty-four per cent of the 1909-13 average, was bad enough. In 1921 the harvest was only 37.6 million tons, only 43 per cent of the pre-war average overall, but far worse in the affected areas.<sup>8</sup> Uncounted millions died. Relief measures were taken. The tax in kind had to be waived in the affected provinces. But supplies in the hands of the authorities were far too small to render effective help to the starving. An emergency relief committee was formed, with prominent non-communists, even with anti-communists such as Prokopych and Kuskova, as participants. (They were soon afterwards arrested.) American aid was accepted, under the auspices of the American Relief Administration. Scarce resources of foreign currency were used to purchase grain. Yet shortage of food, the breakdown of transport and general disorganization limited the effectiveness of relief measures. Diseases such as typhus carried off many. Millions of hungry survivors wandered in search of some sort of food into the more fortunate provinces.

#### INDUSTRIAL DIFFICULTIES

With the fuel crisis causing the closing of many state-operated factories, 1921 was a nightmare year for people and government alike. Towards the end of the year and in 1922 there emerged a nightmare of a different kind. The leadership decided that the time had come to abandon the system under which state industry had been operating. Hitherto, as has already been mentioned, they had produced regardless of cost, receiving all their money expenses from the state. The various factories were under divisions (*glavki*) of VSNKh; they produced to their orders, and received materials and fuel (when they received them at all) in order to carry their orders out. Wages had almost lost their significance, and rations and services were mainly free. The result was a monstrous growth of bureaucratic tangle, an unworkable degree of centralization ('glavism'), waste and inefficiency. It was found necessary to close many enterprises because there was no fuel and no materials. While desperate efforts were made to restore rail transport and the fuel industries — and by the end of 1922 substantial progress had been made in that direction — the opportunity was taken to rebuild state industry on a new commercial basis, to shed surplus staff and to compel more efficient operation by making management pay its way. Wages were once again paid in cash, and in July-August 1921 services were again charged for. Rationing was abolished on 10 November 1921.<sup>9</sup> No more was heard of the abolition of money as a means of leaping into socialism. Much was heard instead of the urgent need for a stable currency, in which calculations and payments could be made. State industry and state trade was henceforth to operate on economic or commercial accounting (*khozrachisyer*). Materials and fuel had to be bought. Workers had to be paid. The necessary resources would have to be obtained from sales. No more spoon-feeding, and no easy sources of credit. This stern medicine was contained in a government decree of 9 August 1921. To enable industry to operate in this way, it was necessary to divide it into autonomous units, instead of treating it as if it were part of one great firm of which VSNKh was the board of directors. These units were, in most cases, known as 'trusts', which controlled varying

numbers of 'enterprises' (*predpriyatiya*), i.e. factories, workshops, mines. A few large plants were themselves considered each to be the equivalent of a trust. They were all now to operate commercially. At first there were various limitations on their freedom to sell or purchase, though the major part of industry had already during 1921 been told to sell what they could where they could. But by early 1922 the trusts (or large autonomous enterprises) were having to fend for themselves. Profit-making and the avoidance of losses were to be the operational criteria. There was, as a rule, no definite obligation to give priority to supplying the state; if 'privateers' offered better prices, they handled the goods. If private contractors or intermediaries gave better service than the trading organizations which were slowly replacing the materials-allocation bureaucracy of the war communism period, then here too the Nepmen got the business. As Lenin said, communists had to learn to trade. But by 1922-3 (the economic year ended on 30 September) 75 per cent of all retail trade was in private hands.<sup>10</sup> Conditions in 1921-2 were anything but conducive to commercial accounting and orderly trading. There was famine and desperate general shortage. Factories had few reserves, and trusts had little cash. To obtain liquid assets they had to sell, and sell quickly. Yet the general poverty was such that few would buy. Paradoxically, the feeble industrial effort managed to cause a glut on the highly disorganized market. Trusts competed with one another in trying to sell even raw materials and equipment to raise cash. They opened their own stalls in city streets to do so – this was the so-called *razbazarivanie*, or disposing of assets by bazaar methods.

All this led to a relative fall in prices of industrial goods as compared with (very scarce) foodstuffs. (Note the word 'relative'; both were rising fast with the inflation.) Prices often failed to cover costs. Unsaleable goods piled up amid universal shortages. Trusts were unable to pay their inflated staffs, and unemployment grew rapidly, even though over half of the pre-war proletariat had fled from the towns. The apparently vital need for more output co-existed with its unsaleability. Such were the immediate consequences of the sudden immersion of industry in the cold bath of commercial principles. But we shall see that by 1923 the tables were turned.

Lenin was prepared to go to almost any lengths to restore the economy, feeling, with justice, that this was essential for survival. He fought hard to convince doubting comrades that foreign concessions were an entirely proper way out of the problem of reconstruction, and his works and speeches at this period abound in references to this subject. Some said: 'We chased out our own capitalists, and now we call in foreign capitalists.' Lenin insisted that, by letting foreign capitalists operate oilfields, exploit timber resources and so on, the Soviet state would obtain materials of which it stood in desperate need, and some modern equipment of this, and gave publicity to a few ambitious capitalists, such as the American businessman Vanderlip, who came to Moscow with various proposals. However, in the end it came to very little. Only forty-two concession agreements were made, and only thirty-one of those functioned, mainly in timber. In 1924-5 only 4,260 workers were engaged in thirteen significant 'concession-enterprises'.<sup>11</sup> All sixty-eight concessions which existed in 1928 accounted for 0.6 per cent of industrial output.<sup>12</sup> Probably the main reason was the acute distrust of the Bolsheviks on the part of the capitalists abroad, which is hardly surprising in view of the chaotic state of Russia at the time, the declared hostility of the Bolsheviks to the capitalist order, and the fact that they had denounced and defaulted on all past Russian debts, confiscated foreign property, etc.

Foreign trade, however, began to grow again. In 1921 this was still deeply affected by immediate emergencies: grain and coal were imported to deal with critical situations. But a more normal trade pattern began slowly to emerge. A trade agreement was signed with Britain in 1922, and other countries followed suit. In fact, in 1922 there were some complaints from trusts about competition from imports, since some consumers' goods were purchased to provide incentives for the labour force. Imported locomotives, farm machinery, electrical and other equipment, contributed greatly to recovery. Exports in 1924-5, though only a little over a third of 1913 levels, were nine times above those of 1921-2.<sup>13</sup>

## TRANSPORT

As already indicated, the transport situation in 1921 was appalling. Over half of the available locomotives were described as 'sick', and the repair shops were incapable of coping with their tasks for lack of manpower, equipment and fuel. Indeed in 1921 the principal bottleneck in the railways was poor supplies of fuel for locomotives, and even the few that were in good health could not run. Great efforts were made to build up stocks of fuel, and scarce foreign currency was used to import locomotives and components. In 1922-3 45 per cent more passengers and 59 per cent more goods were moved than in the previous year. Recovery continued. In 1923-4 rail transport carried 54 per cent of its 1913 traffic. Already in 1926-7 it surpassed 1913 levels. It is interesting to note that the estimate made in 1922 concerning the recovery of rail transport proved to err greatly on the side of caution: by 1926-7 it had been expected that only 62.7 per cent of the pre-war level would be reached. In this and in some other respects, the ability of the economy to do better than bourgeois specialists expected may have influenced the minds and attitudes of the political leadership, and affected their subsequent behaviour when faced with warnings from these specialists about over-optimism.

Road transport consisted at this period almost wholly of horse-drawn vehicles. Even in 1925 the whole vast territory of the Soviet Union contained only 7,448 cars, 5,500 lorries and 263 buses.<sup>14</sup>

## CURRENCY REFORM

The logic of NEP required, as we have seen, a stable currency. Meanwhile the rouble continued to depreciate with startling rapidity. The virtual abandonment of price control, under conditions of the most acute scarcity, gave a new twist to the inflationary spiral. During the war communism period, as we have seen, many a Bolshevik leader accepted the proposition that it was possible, or soon would be, to do without money. Now the word 'money' could be used again, instead of such evasive abbreviations as *sovznak* ('Soviet token'). It was one thing to desire currency stabilization, however, and another to achieve it.

At first there were various experiments designed to find a stable unit of account. Thus the budget drawn up in 1922 was in terms of pre-war roubles, the then existing rouble being 60,000 times greater. But rapid depreciation led to a sharp rise in this figure. There were various devices such as the 'gold rouble', once again linked with pre-war purchasing power, a circumstance which led Preobrazhensky to assert that the value of this kind of Soviet money was based on the memory of what prices had been in 1913. Loans were raised and payments demanded in this unit of account, though the actual cash in use was still the rapidly depreciating rouble which poured from the printing presses. (The first loan of the NEP period was levied in terms of rye.) The decision was taken in July 1922 to create a new unit, the *chervonets*, backed by gold, and to pass as quickly as possible to a stable currency, a properly balanced budget and sound finance, based on a gold standard (though without any freedom to buy or sell gold, and with a strict government monopoly of foreign trade and foreign dealings generally). Recently published memoranda by Lenin include a request to the Commissar of Finance, Sokol'nikov, to send him a note setting out his proposals for the free circulation of gold.<sup>15</sup> Even though this did not happen, it is an interesting fact that such ideas were mooted and were contemplated by Lenin himself. Indeed, for a short while the chervonets was quoted and bought and sold in foreign exchange markets. But through the rest of 1922 and all of 1923, the chervonets and the paper rouble co-existed unhappily, the latter becoming so utterly valueless that Bazarov quipped that 'the time is not far distant when the sum of those nominal roubles will exceed the number of all atoms or electrons of which our planet is composed'.<sup>16</sup> The chervontsy were few, in heavy demand, and only available in large denominations. The rouble or *sovznak* was still legal tender for most purposes. The rouble currency in circulation increased as follows:

	(milliards)
January 1921	1,169
1 October 1921	4,529
1 September 1922	696,141
1 January 1923	1,994,464

Already in October 1922 one pre-war kopeck equalled some-

thing like 100,000 of these so-called roubles or sovznaki. No wonder 'in villages transactions were accounted in poods of bread grains, which became a general unit of account'.<sup>17</sup> Soviet scholars and politicians earnestly debated the nature and purpose of money.<sup>18</sup>

For nearly two years there was 'bipaperism', a unique phenomenon. The chervonts (= 10 new stabilized roubles) became sole currency in February 1924. One of these new roubles was equal to 50,000 sovznaki of 1923 issue, and one sovznak rouble of 1923 represented one million sovznaki of 1921 issue. So 50,000 million was the approximate devaluation ratio. When finally withdrawn, the sovznak circulation reached 809,625,216,667,200,000

'1923' roubles.<sup>19a</sup> It is only right to mention that Germany in 1923 'achieved' even more, if for somewhat different reasons. This entire operation was carried out under the aegis of the State Bank, created in October 1921, and of the People's Commissariat of Finance (*Narkomfin*), under the energetic and competent commissar, Sokol'nikov. Not very surprisingly, these institutions during the twenties were the cautious conservative guardians of financial orthodoxy, aiming at the preservation of a balance which had been achieved amid so much difficulty.

In 1922 several other banks were created, with the aim particularly of facilitating the necessary credits to industry (Prombank and Electrobank, the latter to 'finance electrification'), to municipal enterprises (Tsekombank) and agriculture (Cooperative bank, with State Bank participation, as well as private shareholders).

The problem of balancing the budget, without which currency stabilization would have remained a pipe-dream, was solved by levying a variety of excise taxes, commuting agricultural tax in kind and the *corvée* into money payments, taxes on private and state enterprises, income and property taxes, and a whole range of others (e.g. a 'military tax' levied on those who had 'no right to serve in the Red Army'), plus voluntary and forced savings, such as a six per cent bond issue which was 'placed by coercion amid capitalist elements'. In the financial year 1923-4 the budget was balanced, in 1924-5 there was a surplus.<sup>19</sup> (The financial and economic year, until 1930, covered the period 1 October-30 September.)

#### SCISSORS CRISIS

However, 1923 brought a fresh crisis. From a situation in which the terms of trade between village and town were too favourable to the former – though under conditions of famine the peasants were unable to take much advantage of this – the changed circumstances led to an opposite distortion: a rapid move in relative prices in a direction unfavourable to the village, so unfavourable indeed as to discourage agricultural marketings and to constitute a political menace, since the precarious political stability of the regime depended on peasant acquiescence, or at least a decision on their part not to rebel.

The reasons for this remarkably rapid change were the following. Firstly, agricultural production recovered more rapidly than industry. The 1921 famine led to a decline in the area sown in the following year, since there was a shortage of seed and able-bodied peasants in the affected provinces. This is shown in the table on page 94. However, the 1922 harvest was fairly good; by 1923 the sown area reached almost 90 per cent of the pre-war level, and while the harvest was still far below 1913 levels, the shortage of food was no longer desperate. By contrast, the ruined industrial structure took much longer to repair. The same table shows that industry in 1923 was relatively much further below 1913 levels than was agriculture. Industry was handicapped by the destruction of its basic capital, years of neglect in maintenance, shortages of spares and of skilled labour, of knowledgeable management, of fuel, materials, means of transport. The general chaos of previous years had led to a shift away from industrial and towards food crops, so that, for example, the acreage under cotton had fallen from 688,000 hectares in 1913 to 70,000 in 1922. It was impossible to find currency with which to import sufficient materials to restart the textile industry quickly. In 1922 its output was only 26 per cent of pre-war, while agriculture reached 75 per cent.<sup>20</sup>

Secondly, the chaotic conditions in which newly-formed state trusts unloaded their goods and materials in competition with one another did not last. Credits began to be available from the reorganized banking system. VSNKh reacted to the 1921-2 experience by creating 'syndicates' during 1922-3. These were

	1913	1920	1921	1922	1923	1924	1925	1926
Industrial (factory) production (million 1926-7 roubles)	10251	1410	2004	2619	4005	4660	7739	11083
Coal (million tons)*	29.0	8.7	8.9	9.5	13.7	16.1	18.1	27.6
Electricity (million Kwhs)	1945	—	520	775	1146	1562	2925	3508
Pig iron (thousand tons)	4216	—	116	188	309	755	1535	2441
Steel (thousand tons)	4231	—	183	392	709	1140	2135	3141
Cotton fabrics (million metres)	2582	—	105	349	691	963	1688	2286
Sown area (million ha.)	1,500	—	90.3	77.7	91.7	98.1	104.3	110.3
Grain harvest (million tons)	80.1†	46.1‡	37.6‡	50.3	56.6	51.4	72.5	76.8
Rail freight carried (million tons)	132.4	—	39.4§	39.9§	58.0§	67.5§	83.4§	—

\* Excluding lignite.

† This was an extremely favourable year.  
‡ These are Gladkov's figures; some other sources are higher (e.g. 42.3 for 1921).

§ For post-war the 'economic year' (i.e. 1920-21, 1921-2, etc.).

— not available.

(SOURCES: *Sotsialisticheskoe stroitel'stvo SSSR* (1934), pp. 2-3; Gladkov, *Sovetskoe narodnoe khozyaistvo (1921-5)* (Moscow, 1964), pp. 151, 316, 357, 383; E. Loshkin: *Proryshlennost' SSSR*, 1940-63 (Moscow, 1964), p. 32; Nar. khoz., 1932, p. 8.)

NOTE: There are minor disparities between various sources for most years.

the average trade margin in 1913 was 17.3 per cent. It had now grown to something like 60 per cent.<sup>21</sup>

Fifthly, the government was in fact the principal purchaser of bread grain, despite the substantial role of the Nepmen, and it sought to buy at low prices.

Finally, the peasants were losers in the inflationary race, when money depreciated daily, because even a week's delay in a journey to town to spend the money meant heavy loss. (The peasants seem to have been the last to get the new chervonets currency.)

The 'price scissors' parted, in the sense that industrial prices were above, agricultural prices below, their 1913 prices. On 1 October 1923, in terms of the newly-stabilized currency, industrial prices were 276 per cent of 1913, agricultural prices 89 per cent. The same source shows the stages by which this remarkable shift in relative prices was achieved:

*Industrial prices as a ratio of agricultural prices  
(1913 relationship = 100)*

	Wholesale	Retail
October 1922	131	161
December 1922	141	167
February 1923	169	180
May 1923	215	223
July 1923	202	211
September 1923	294	280
October 1923	310	297

(source: Gladkov, *Sovetskoe narodnoe khozyaistvo (1921-5)*, (Moscow, 1960), p. 413.)

Thus, by October 1923, when the 'scissors crisis' reached its peak, industrial prices were three times higher, relative to agricultural prices, than they had been before the war. It was hardly surprising that this caused trouble.

To some extent this wide price divergence was self-correcting. The peasants were the principal purchasers of manufactured goods, and state industry experienced severe difficulties in selling. Seasonal factors also led to a rise in agricultural prices in the months that followed. However, the government reacted strongly, and helped to restore a less unhealthy price relationship. Vigorous

attempts were made to force prices of state manufactures down; there were decrees controlling prices (or preventing increases without authorization); there were drives to reduce surplus staffs in industry and in the trade networks, to improve and extend the system of consumer cooperatives, to tighten credit so as to compel trusts to unload stocks. Industrial output meanwhile continued to recover rapidly, though still far below pre-war levels (see above). VSNKh, thoroughly alarmed, was exercising its still considerable formal authority over the state sector of the economy, and a combination of all these factors led to a partial closing of the blades of the now-notorious price 'scissors'. During the financial year 1923-4 industrial selling prices fell by 23.3 per cent. A People's Commissariat for Trade was set up, which tried with marked success to enlarge the area of state trade and to sell manufactured goods in rural areas at prices below those charged by Nepmen. By April 1924 the agricultural price index had risen to 92 (1913 = 100) and the industrial index had fallen to 131.<sup>22</sup> in terms of the new stable currency. By then voices were being raised declaring that the blades had come too close together. This formed part of the debate about the future of NEP and the basic strategy of the Soviet regime, which will be discussed in the next chapter.

#### PLANNING AND CONTROL

So the NEP system of mixed economy weathered the storm and, with the establishment of a stable currency and balanced budgets, entered into calmer waters by 1924. The years 1924 and 1925 may be described as 'High NEP'. Before discussing the issues and arguments which arose and which, in due course, ended the system, we must take a look at the system as it was during this period. How did it work? Was there any planning and, if so, by whom? What was the relative weight of the private sector? How autonomous were the trusts, and what were the powers of VSNKh? What was happening in agriculture? What was the situation of the workers and of the trade unions? To these and similar questions the rest of this chapter will be devoted.

Let us begin with *planning*. VSNKh was decentralized by the 'trustification' of 1921-2, but was still the headquarters of Soviet

state industry. Of the 430 trusts functioning in 1922, 172 were subordinated to VSNKh directly or via its local organs (*Prom-buro*), and 258 to local *sovnarkhozy* (councils of national economy). To take an example, thirty-three trusts in the metal goods industry were subordinate to VSNKh, controlling 316 factories employing 218,344 workers, while the twenty-four 'provincial' trusts ran ninety-five factories employing 12,701 workers, i.e. these were mainly small-scale. Trusts were in total command of 'their' factories, the latter having no financial autonomy and, as a rule, no separate profit-and-loss accounts or separate legal personality. They had, roughly speaking, the same status as a sub-division of a Soviet enterprise in the sixties, or of a sub-unit within a centralized Western corporation. Indeed, the term 'enterprise' (*predpriyatiye*) was not used to describe them. Their entire output was planned and sold by the trust, who supplied them with the funds they needed, e.g. to pay the labour force. Gradually this situation changed, but it was not until 1927 that the directors of what came to be called 'enterprises' within the trusts acquired defined rights and duties — though not yet a legal personality. Actual powers of directors varied greatly within different trusts, and there was little attempt at this period at standardization of practices. According to a resolution of 29 July 1922, VSNKh operated its control over industry by:

- (a) Methods of an economic character: the financing of industry, the organization of industrial credit, price policy, etc.
- (b) Methods of an administrative character: appointment and dismissal of responsible officials of trusts and other trading-and-industrial units, the transfer of material resources from one branch of industry to another, from enterprise to enterprise, and so forth, in conformity with the industrial plan.
- (c) Methods of a production-planning character: the drafting of production and disposal plans, inspection and checking on their execution, ensuring the conformity of the industrial plan with the general plan, etc.

That is to say, becoming in substance the Commissariat for Industry and Trade, VSNKh is the real boss (*khozjain*) over the enterprises within its jurisdiction. All talk of the narrowing of VSNKh's functions and the transfer of part of these to improvised (*fakul'tativnye*)

*mye* – perhaps ‘optional’ industrial units represents vulgar free-tradeism (*freiwerbung*) [sic].<sup>23</sup>

One sees in this a concern to assert the authority of VSNKh, but it would be a great error to take such formulations literally. It is not only that the resolution in question had no legislative effect. Even legal decrees in these days of uncertain ‘revolutionary legality’ seldom described the real situation, and were in any event badly or vaguely drafted.

Decrees defining and re-defining the functions and internal organization of VSNKh were numerous, and no attempt will be made here to trace the many changes. A decree of 12 November 1923 repeated many of the points cited above, but in a less assertive way, with more emphasis on trusts and on relations with other bodies. Thus point (d) of Section II of the decree gives VSNKh the function of ‘formulation of the production plan and budget of industry of all-union significance, the examination of production plans and industrial budgets of union republics, the formulation of a general production plan and budget for the industry of the entire Soviet Union and its submission through Gosplan for confirmation to the Council of Labour and Defence (STO) . . .’. The new emphasis on union republics was due to the formation of the U.S.S.R. as a federal state in 1922. The function of control over its subordinate units is several times qualified by reference to ‘conformity to existing legislation’, presumably designed to prevent too much interference from above with the trusts.

VSNKh in 1923–6 included the following sections, departments or units:

- (a) The chairman and presidium of VSNKh.
  - (b) Internal administration.
  - (c) Chief economic administration (G.E.U.) with the Industrial planning commission (*Promplan*) attached to it.
  - (d) Central administration of state industry (*Tsugprom*) (with numerous industrial sub-divisions).
  - (e) Chief administration of the armaments industry.
  - (f) Scientific-technical department.
- The metal industry and electricity generation came under the successors of the former glavki (Glavmetall, Glavelektr) which,

for some odd reason, were directly subordinated to the presidium of VSNKh and not to Tsugprom.

In addition, other specialist committees were attached to VSNKh.<sup>24</sup> Republican councils of national economy (sovmarkhozy) were also set up, with powers over less important industries and the right to be consulted by VSNKh. Provincial and regional councils continued to exist, with powers that varied greatly. In some cases they administered all-union industry in their area, in others only purely local industry.

So at this period state industry of all-union significance was under the authority of VSNKh, which (except for metal and electricity) operated its control through the above-named Tsugprom and its industrial sector divisions, sometimes directly and sometimes through local organs. Its general-policy functions were largely duplicated by the chief economic administration (GEU) of VSNKh, its planning functions by Promplan within GEU. Promplan, in turn, duplicated some of the planning functions of Gosplan, which was under the STO, not VSNKh. This clumsy administrative machinery was re-arranged rather more logically in 1926–7, when both the GEU and Tsugprom were abolished, and the industrial-sector divisions were once more given the name and status of glavki and placed directly under the presidium of VSNKh, as also was the planning unit Promplan.

These changes may, however, amount to no more than different labels on the doors of mostly the same officials and offices. They do not begin to show us the actual functions of VSNKh, the extent of central control over trusts by its administrative subdivisions, or the extent to which in fact there was any real planning in the twenties. This is not easy to define or describe. The best and most detailed account is undoubtedly by Carr and Davies.<sup>25</sup> This shows that there was marked inconsistency between industries and dates. Thus some key sectors of heavy industry, which supplied ‘strategic’ items for the economy, were given orders as to what to produce and for whom, and therefore the appropriate division of VSNKh exerted, *vis-à-vis* the trusts, power of detailed supervision and control, in many respects similar to the powers of ministries *vis-à-vis* enterprises in the later

'Stalin' model. On the other hand, many trusts, especially in the consumers' goods industries, made up their own production plans by reference to the market, and VSNKh did little to interfere. Indeed, in the case of textiles the VSNKh division (Glavtextil) was almost powerless, the trusts dealing above all with the 'textile syndicate', the state wholesaling organization which came to act as agent for supplies to the textile industry and to exercise a dominant role, so much so that Glavtextil was abolished in 1927 as superfluous. Various organs of VSNKh gave orders on all sorts of issues; many trusts were in effect wholly autonomous most of the time. No clear picture emerges, except that, firstly, control over new investment was much tighter than over current business, and, secondly, control of all kinds became stricter towards the end of the decade, as resources became tighter. There will be more about this in Chapter 6. We must now look briefly at the planning mechanism as it existed at this time.

Gosplan, as we have seen, was set up to assist the Council of Labour and Defence (STO). The latter body was nominally a commission of the Council of Peoples' Commissars, but in fact it was the effective economic-military cabinet, was presided over by Lenin while he was still capable of work, and included among its members the chairman of VSNKh, as well as the commissars of War, Labour, Transport, Agriculture, Supplies and a representative of the trade unions.<sup>26</sup> Its decrees carried legal force, as if they were issued by the government. Gosplan (at first officially known as the state general-planning commission) was set up on 22 February 1921 to 'work out a single general state economic plan and methods and means of implementing it'. The members were appointed by the STO. Its duties were redefined on 21 August 1923, its title being now the more familiar 'state planning commission'. The first paragraph concerning its functions was reprinted almost verbatim as above. It was also to help to prepare the budget, examine 'basic questions concerning currency, credit and banking', industrial location, standardization. It had an essential coordinating function, in that it had the right to examine and express its views on all plans and production programmes put forward by people's commissariats (including VSNKh).

It can be seen that duplication and some rivalry with the planning division of VSNKh inevitably arose. Thus the work of preparing the 'control figures for 1925-6' was undertaken only by Gosplan, and Krzhizhanovsky, Gosplan's head, complained to the fifteenth party congress about the lack of cooperation with other agencies.

However, as already pointed out, the word 'planning' had a very different meaning in 1923-6 to that which it later acquired. There was no fully worked-out production and allocation programme, no 'command economy'. The experts in Gosplan, many of them non-party or former Mensheviks, worked with remarkable originality, struggling with inadequate statistics to create the first 'balance of the national economy' in history, so as to provide some sort of basis for the planning of growth. The pioneering contribution of Russian economics at this period will be the subject of comment in the next chapter. The point is that what emerged from these calculations were not plans in the sense of orders to act, but 'control figures', which were partly a forecast and partly a guide for strategic investment decisions, a basis for discussing and determining priorities. An expert committee of VSNKh, known as OSVOK (Council for the restoration of basic capital) studied the capital assets and needs of various branches of the economy, and produced a series of reports and recommendations (1923-5), which affected government thinking. But neither was this yet operational planning.

So neither Gosplan nor VSNKh could provide, or tried to provide, output plans for all trusts and enterprises, except some in some key sectors. Most trusts made their own arrangements, with only partial supervision from above. They varied greatly in size and *modus operandi*. Some were very large indeed, such as the Baku oil organization, which, being responsible for the bulk of Soviet oil production, was closely linked with the relevant sub-division of VSNKh. Others were more remote from the control of VSNKh, and made contracts freely with other trusts, with private traders, cooperatives and the like, negotiated credit arrangements with the bank, or with each other, guided very largely by the profit motive, with spasmodic efforts at price control by the Centre, though there was a marked tendency towards tighter control later in the decade, as we shall see.

Dzerzhinsky, chairman of VSNKh and head of the Cheka (police), wrote in 1924: 'We have almost every trust doing just what it pleases, it is its own boss, its own Gosplan, its own Glavmetall [the metals division of VSNKh], it is its own VSNKh, and if anything does not work out right it hides behind the backs, and receives the support, of local organs.'<sup>27</sup> He sought, with only modest success, a tighter degree of control over the trusts.

Already some of the trusts themselves were felt to be too unwieldy and too large for economic operation. Thus one finds the twelfth party congress (1923) urging trusts to give more initiative to the enterprises comprising them, also to calculate profitability and to issue bonuses at enterprise level. But little was changed until much later.

#### PRICES, MARKETS AND PRIVATE ENTERPRISE

With the coming of NEP, the problem of price control became particularly acute, especially under conditions of scarcity of goods, when wages were again being paid in money, and free rations and services were ending. A decree of 5 August 1921 set up a Prices Committee attached to the Commissariat of Finance. It had power to fix wholesale and retail prices for goods made or sold by state enterprises, as well as prices at which government agencies were to buy from others, for instance private peasants. However, these controls were largely ignored, and in 1922 were replaced by so-called 'approximate' (*orientirovchye*) prices, which soon came to be regarded as minima, so the trusts pleased themselves. Exceptions were the selling prices of some monopolized commodities, such as salt, tobacco, kerosene and matches, and where prices were genuinely fixed by the government, though private traders sold them, when they could get them, at any price which the local market could bear. A Commission on Trade attached to the STO, set up in 1922, endeavoured with some success to establish direct links between state industry and consumer cooperatives, and to cut out private commission agents, but had no effective way of controlling prices.<sup>28</sup>

The co-existence of private and state (plus a largely autonomous cooperative) sectors, under conditions of inflation, transport

breakdowns and administrative inefficiency, led to some very substantial price fluctuations. We have already referred to the price 'scissors' crisis of the autumn of 1923 and the great difficulties experienced at this time by state industry in selling their high-cost products, which became even dearer when they finally reached the consumer, especially in rural areas, through many private intermediaries. The Nepman was almost the sole seller in many rural areas in 1923. Where a rural cooperative existed, it was exceedingly inefficient. The following table, showing the figures for October 1923, illustrates this:

Trust (manufacturers) price	Cloth	Nails	Kerosene	Sugar	Salt
Provincial cooperative price	100	100	100	100	100
Village cooperative price	174	136	100	162	107
243	177	128	222	121	

(SOURCE: Malaev, *Istoriya isenoborazovaniya v SSSR* (Moscow, 1964), p. 53.)

With such colossal margins, the cooperatives could hardly compete effectively with Nepmen.

Even in Moscow, where in 1922 a 'commodity market centre' (*tovarnaya birzha*) was set up under official auspices, the Nepmen controlled 14 per cent of purely wholesale trade, 50 per cent of mixed wholesale-retail trade and 83 per cent of retail cooperatives taking 10 per cent and the state only 7 per cent. 'Wholesale trade in textiles in the country as a whole until March 1923 was at least 50 per cent in the hands of private capital.' Private trade in 1922-3 constituted 78 per cent of all retail trade, the proportion falling to 57.7 per cent in 1923-4, 42.5 per cent in 1924-5, 42.3 per cent in 1925-6 and 36.9 per cent in 1926-7.<sup>29</sup>

However, this falling percentage at first represented an increase in absolute volume, within a rapidly-growing total trade turnover. Both wholesale and retail private trade rose by about 50 per cent in 1925-6. It was in the next year that the absolute volume of private trade began to fall.

Private trade filled the gap left by the inadequacy of the state and cooperative network. As already noted, it dealt with goods

produced by state enterprises, as well as the bulk of the products of private industry and handicrafts – of which more in a moment.

From 1923, at an increasing rate, the government expanded the state and cooperative network, and their share in the trade turned over rose constantly. At first this was by competition, and diverting more state-produced goods through 'official' channels. Later on, the Nepmen were squeezed out by methods of less agreeable kinds, as we shall see.

As for industrial production, in 1924–5 the situation was as follows: 'Large-scale' industry – roughly coterminous with factory as distinct from workshop production – was overwhelmingly in state hands. A mere 1·82 per cent was private. However, the total output of small-scale and handicrafts industry was divided as follows:

	1923–4	1924–5	1925–6	1926–7
	(percentage of total output)			
State	2·2	2·6	2·5	2·3
Cooperative	3·1	20·4	19·8	20·2
Private	89·7	77·0	77·7	77·5

(SOURCE: Gladkov, *Sovetskoe narodnoe khozyaistvo* (1921–5), (Moscow 1960), p. 201.)

In 1925, the following were employed in the above:

	1923–4	1924–5	1925–6	1926–7
	(millions of roubles)			
State industry	30,644			
Cooperatives	127,162			
Private craftsmen*	2,255,161			
Private employment	270,823			
Total, small-scale	2,713,790			

\* Not employing labour outside family.

† Employing labour, or employed.

(SOURCE: *ibid.*, p. 204.)

This shows the domination of the private sector in small-scale industry, and also just how small-scale this industry was, with so large a proportion of it conducted on an individual or family basis. These private activities were greatly dependent on supplies of materials from state industry, and most of the workshops were leased from the state. A Soviet historian commented: 'This

placed in the hands of the state a powerful weapon for controlling small-scale production.'<sup>30</sup>

Employment in private industry rose as follows:

	(per cent)
1924–5	+13
1925–6	+20
1926–7	+2 or 5

This was followed by a catastrophic fall, the reason for which will be discussed later. 'Basic funds' (capital) in the private sector as a whole increased in each of the years in question.<sup>31</sup> However, the government was rapidly achieving an effective dominance, and, once the state and especially the cooperative trading network was effectively extended into rural areas, it could squeeze out private trade by starving it of manufactured goods, and private industry by starving it of fuel and raw materials, as and when it chose. In fact state-encouraged and state-supported cooperative retail trade multiplied exceedingly rapidly. In 1922–3 its share in retail turnover was only 10 per cent (as against 75 per cent for private trade); in 1926–7 its turnover had risen nineteen times in constant prices, the picture evolving as follows:<sup>32</sup>

	1922–3	1926–7
	(millions of roubles)	
State	512	1817
Cooperative	368	6338
Private	2680	5063
Total	3560	13718

The figures (in roubles of constant value) show the extremely rapid rate of recovery which characterized the first years of NEP.

#### AGRICULTURE AND THE PEASANTS

In agriculture, the private sector was predominant throughout the NEP period. There were few collectives and communes in 1918–20, in subsequent years there were even fewer. Even as late as 1927 the situation was as follows:

	Sown area (per cent)
State farms	1.1
Collective farms (all types)	0.6
Individual peasants	98.3

(source: *Eksp. ekonomicheskoi politiki SSSR*, edited by P. Vaisberg (Moscow, 1934), p. 35.)

The effect of the land re-apportionment of 1917–18, together with the further measures of 'class war in the villages' in 1918–20, led to the elimination not only of the landlords' estates but also of many of the larger peasant holdings too. Millions of landless labourers, or ex-peasants who had returned from town in the days of war communism, had acquired land. Therefore the number of peasant farms rose sharply. From roughly 17 or 18 million on comparable territory before 1917 (exact comparisons do not seem to be available) the number of family holdings rose to 23 million in 1924 and 25 million in 1927. Poorer peasants had gained land at the expense of their neighbours. The average size of landholding fell, the extremes of riches and poverty diminished.

The years of revolution had undone much of the positive effects of the Stolypin reform. The traditional peasant community had presided over most of the land redistribution in 1918. It now had more power than at any time since 1906 to redistribute peasant holdings, to insist on traditional strip cultivation. In 1925 over 90 per cent of the peasants belonged to village communities. It could be asserted that 350,000 such communities controlled the economic life of the village.<sup>33</sup> Thus the effect of the revolution was, in a technical sense, reactionary. Land was sometimes scattered over dozens – sometimes a hundred – strips located in widely separated fields, and subject to redistribution. The three-field system was predominant, and modern crop rotations little used, as they did not fit the *mir* arrangements. According to evidence cited by Lewin, even as late as 1928, 5.5 million households still used the *sokha* (wooden plough), and half the grain harvest was reaped by sickle or scythe. Forty per cent was threshed with flails. Such modernization as had begun earlier in the century was largely lost. All this set big problems before the regime.

The situation was exacerbated by class attitudes. The simple categories of 'kulak', middle and poor peasant, to which should be added the landless labourer (*batrak*), were in reality anything but simple. Much was written and more was spoken about 'peasant stratification', and statisticians and analysts laboured to fit Marxist-Leninist definitions to complex phenomena which refused to conform to the prepared labels. Since the whole question was political dynamite, disinterested research was at a discount, or risky. As Carr put it: 'It was no longer true that class analysis determined policy. Policy determined what form of class analysis was appropriate to the given situation.'<sup>34</sup>

An admirable account of the situation may be found in the work of Moshe Lewin, and what follows is largely based on his researches. The difficulty was that each category shaded into the other. The 'landless' may have had some land, but so little that one or more members of the household spent much of the year working for another peasant, or for the *mir* (e.g. as shepherds), or in seasonal employment away from the village. The 'poor peasant' (*bednyak*) by definition had not enough land to feed his family, and he too hired himself out for part of the year, or members of his family did. It must be remembered that the peasant 'household' (*dvor*) usually included several individuals of working age, and this too made classification somewhat complex. The 'middle peasant' was often very poor indeed by any reasonable standard, and at the lower levels was indistinguishable from the poor peasant, in that members of the household frequently had to hire themselves out, but some also made use of hired labour themselves. Many so-called middle peasants were among those who had no horse (40 per cent of all peasants in the Ukraine, 48 per cent of those in Tambov province, etc.). Sometimes the analysts used the term *malonoschnyi* (weak), a term which covered the less well-favoured middle peasant as well as the poor. Those above this ill-defined level would be classed as *zazhitchnye* (prosperous), or *krepkie* (strong), and this would include some arbitrary proportion of middle peasants as well as the so-called kulaks.

What, then, was a kulak? This too was a category re-defined by statisticians to suit the political circumstances, or re-defined by politicians who ordered statisticians to produce appropriate

figures to prove their point. Kulaks were generally deemed to number somewhere between 5 and 7 per cent of the peasantry. Yet by far the larger number of these were, by Western standards, poor. Two horses and two cows, and enough land to ensure a square meal the year round and something to sell, might qualify a peasant for the designation kulak. Yet, according to data collected by Lewin, only 1 per cent of the total number of peasant households employed more than one labourer.

Some kulaks were able to act as usurers (the word *kulak*, 'fist', was originally a term of abuse related to this particular function). Some were able to lend their poorer neighbours grain when, as often happened, they ran out of food in the spring. They were also able to hold stocks of food and so benefit from higher prices, whereas the less well-off peasants had to sell quickly after the harvest, when prices were low. They often had such machinery as was available, and benefited from hiring it out, as well as hiring out a horse or bull or other scarce beast. Kulaks had initiative, they had commercial sense. They excited jealousy at times, but they were also what every ambitious peasant wanted to become.

#### The numbers of alleged kulaks seemed to be growing:

Percentage of total households: leasing land employing labour	1922	1923	1924	1925
2.8 1.0	3.3 1.0	4.2 1.7	6.1 1.9	

(SOURCE: Gladkov (1921-5, p. 271.)

But some of the 'employers' only used hired labour for a very few months in the year.

The government's dilemma from the first was this. There was the attempted 'class' analysis. All peasants had a kind of dual allegiance, being semi-proletarian, semi-petty-bourgeois. They vacillated, they could provide fertile ground for the resurrection of capitalism. On the other hand, the U.S.S.R. was the republic of workers and peasants. NEP was based on the link or alliance (*smychka*) between them. The political conclusion was drawn, remembering Lenin's old dicta, that the poorer peasants would be allies, the middle peasants perhaps tolerant associates; the

kulaks represented, by definition, the enemy, the menace. If any middle peasants, by their success, became kulaks, then they too joined the camp of those who would see the Soviet regime as a hostile force, and who would be busily secreting or engendering capitalism and political opposition.

However, to define any peasant who made good as an enemy would make nonsense of the principle of the *smychka*. Even more important, perhaps, was the fact that it made economic nonsense to penalize success when, above all, more production and more marketings were needed. Here, underlying all the factional disputes in the party over the peasant, which will be treated in the next chapters, were some very real perplexities and dilemmas.

Meanwhile recovery had to take place within an institutional setting of a semi-medieval character, under which the vast majority of small-holder peasants had little opportunity, incentive or resources to improve their methods of production or to use machinery. Their way forward as individual peasants would only be through consolidating holdings, increasing commercial production, and in general following the path which two million peasants had begun to tread on the morrow of the Stolypin reforms (see Chapter 1). But for Bolsheviks this was a path which led – or might lead – to capitalism.

Lenin, in one of his last works, saw a way out: cooperation and also mechanization. Gradually, cooperation would wean the peasant from individualism. Shown the advantages of mechanized cultivation, shown the power of the tractor, he would in time become converted to socialism. But for a long time to come he had to be handled carefully, and certainly he must not be forced, he must be patiently persuaded. This was accepted by all factions in the first years of NEP. Rural consumer cooperatives were favoured because, *inter alia*, they accustomed the peasants to cooperation. They were therefore deemed to be an instalment of 'Lenin's cooperative plan'. As for producers' cooperatives, little was said about them, and even less done, as may be seen from the figures cited on page 106. Typical of the period, and unquestioned at the time, was the assertion of N. Meshcheryakov, in a speech on a most formal occasion, an academic meeting in honour of Lenin shortly after his death:

'Lenin was a determined enemy of any sort of coercion in the area of agriculture. Lenin said that only a fool could think of coercion in relation to the peasantry... There is only one road, that of persuasion.'<sup>35</sup> It matters little in the present context that this was hardly a correct characterization of what Lenin actually did in 1918–21. This is how his views were interpreted in 1924.

The peasants were handicapped not merely by the obsolete system of landholding. The First World War and the civil war had carried away many of the horses, which was one reason why many even of the 'middle peasants' did not have one. There were heavy losses in other categories of livestock. Sowings of industrial crops had fallen sharply, partly as a result of industrial collapse, partly because of the priority given by the peasants to subsistence crops.

It was a characteristic of the Russian peasant to produce mainly for subsistence. In pre-revolutionary times, according to Soviet calculations, landlords and kulaks provided between them 71 per cent of marketed grain. The middle and poor peasants, numerically far superior, managed less than 29 per cent and consumed most of their production themselves (only 14.7 per cent of their crops were marketed). The revolution had greatly added to the middle and poor peasants, and greatly reduced the number and scope of operations of the kulaks. So inevitably there arose a contrast between total output, which recovered first, and marketings which lagged behind.

The size of sown area and harvests and numbers of livestock showed a rapid rise from the famine conditions of 1921. The following are the relevant figures:

	(1913)	1922	1925
Sown area (million hectares)	(105.0)	77.7	104.3
Grain harvest (million tons)	(80.0)	50.3	72.5
Horses (million head)	(35.5*)	24.1	27.1
Cattle (million head)	(38.9*)	45.8	62.1
Pigs (million head)	(20.3*)	12.0	21.8

\* 1916

(source: *Sotsialisticheskoe stroitel'stvo* (Moscow, 1934), p. 4.)

By contrast, grain marketings remained below pre-war. The extent of the shortfall was deliberately exaggerated by Stalin.

He claimed that in 1927 the proportion of grain marketed was only half of what it had been in 1913. This figure has been repeated by numerous authors, Soviet as well as Western. The Soviet writer Moshkov as well as the American analyst J. Karcz have pointed out that Stalin substantially understated the level of marketings in the late twenties, and he also distorted the picture by comparing them with the single year 1913, which was abnormally favourable. Both Moshkov and Karcz would agree that marketed grain amounted to 16.7 million tons (about 2.5 per cent of production) in the years 1909–13, and that it was something of the order of 16 million tons as an average of the years 1926–8, or roughly 21 per cent of total output, and not 13 per cent as claimed by Stalin and others. However, R. W. Davies has shown that, on a narrow definition of marketed grain, Stalin may have been right.<sup>36</sup> Even if one allows fully for Stalin's statistical devices, the fact remains that marketings were below pre-war, while the need for grain was increasing and would quite obviously increase rapidly as industrialization got under way.

The principal reason for low marketings has already been mentioned: the shift to a small-peasant subsistence-type economy. In 1925 the peasants were eating better, selling less. Contributory reasons, however, were unfavourable terms of trade with the towns (especially in the 'scissors' crisis period, and the blades of the scissors, as we shall see, parted again in due course), the efforts made to expand livestock numbers (livestock have to be fed), the greater attractiveness of industrial crops (after 1923) and, last but not least, the results of deliberate government efforts to control grain purchase prices. Thus as early as 1924–5 'decisive measures were taken to bring order into the system of [grain] procurements... to strengthen planning and regulation, to push out the private traders. In 1925–6 measures were taken which reduced private trade in grain...'.<sup>37</sup> Already the government was the dominant purchaser, buying 75 per cent of marketed grain in 1925–6. With the abandonment of tax in kind in 1924, a money tax being substituted, the government was more than ever interested in paying as low a price as possible for the staple crop, grain. We shall see the effects of this policy on later developments.

Exports were a principal sufferer from the low marketings, as the following figures show (in 1913, a good harvest year, grain constituted 40 per cent of total exports):

	(millions of tons)
1913	12.0
1925-6	2.0
1926-7	2.1
1927-8	0.3

The peasants on their part reacted variously to the new situation and the opportunities it afforded. They naturally welcomed free trade and the private trader. Some better-off peasants tried to expand their activities. Opportunities were not lacking, when so many of the poorer peasants had insufficient land on which to live, and leased it officially or unofficially to a more prosperous neighbour and went to work for him. There are contradictory statistics on all this, no doubt due to the influence of factionalism on statisticians. This confused Soviet researchers in later years. Thus whereas, as we have seen, Gladkov's book gave peasant households hiring labour as 1.9 per cent of the total, another historian gave the figure as 7.6 per cent for the same year, 1925. He also recorded 1.7 million landless labourers,<sup>38</sup> whereas Gladkov pointed out that 450,000 of these were employed as herdsmen by village communities and not by kulaks. But obviously peasant differentiation deepened; a richer peasant class was emerging.

This was, of course, a quite natural and inevitable development within the peasantry, and the government did not like it, the more so as the traditional peasant meeting of elders (*skhod*) was a much more effective authority than the feeble and ineffective rural Soviet. The party was exceedingly weak in the villages. However, up to and including 1925, priority was given to encouraging output and sales, and therefore the less poor peasants received some encouragement, to the dismay of party activists in villages, and of those poor peasants who expected special favours. This, as will be shown later, was the subject of much bitter argument.

As for the peasant attitude to the regime, this must have been very mixed. True, they had gained land. However, they were

well aware that they had seized the land themselves. Furthermore they had been much shocked by their experience of requisitions in the war communism period, and had little understanding of or sympathy for the typical, overwhelmingly urban, communist officials. The party leaders' many pronouncements about the 'petty-bourgeois sea' that surrounded them must have given ground for uneasiness among those who read such pronouncements. Events would show that there were grounds for this distrust. The peasant, in any case, had the natural ambition to acquire more land, another horse, a cow, perhaps a labourer. Then, he knew, he would be classed as a kulak, publicly reviled as a menace and a bloodsucker, perhaps taxed heavily, and always conscious of appearing to be a menace in the eyes of at least some of the men in the Kremlin. Peasants, for the regime, were 'the accursed problem'. One imagines that most of the peasants reciprocated such sentiments. The fact that urban employment opportunities remained modest until the end of the twenties had one other consequence: the already considerable degree of rural over-population, in relation to land resources, was growing worse as the natural increase of the population replaced the heavy losses from war, famine and pestilence.

#### THE URBAN WORKERS

What of the workers, the 'proletariat' in whose name the Party exercised its dictatorship? The fall in their numbers during the period of war communism has already been noted. According to Soviet sources,<sup>39</sup> the total number of wage- and salary-earners had fallen from roughly 11 million in 1913 to only 6½ million in 1921-2. The number of industrial workers more than halved in the same period.

With the coming of NEP and of recovery, conditions altered drastically, but at first it seemed to be a matter of jumping out of the frying pan into the fire. With the abolition of free rations and services the workers had to buy everything with a wage of minuscule proportions, which was being eaten away by raging inflation. Of course, the shortages of all kinds made a standard of life well below pre-revolutionary levels inevitable. However, during war communism, at least, the worker was favoured,

usually receiving higher rations and sometimes a pair of requisitioned bourgeois boots or trousers into the bargain. Now came NEP. In 'real' terms (i.e. in constant roubles) wages in 1922 came to 9·47 roubles per month (hundreds of thousands, or even millions, of the then existing sovznak roubles). The 1913 wage level in those same prices was 25 roubles.<sup>40</sup> Private traders charged prices which dismayed the underpaid proletarian, and made profits which made him wince. The conversion of workers' pay into purely money wages did not happen at once. At its lowest, in the first quarter of 1921, only 6·8 per cent of 'wages' were paid in money, the rest being issued free in the form of goods and services. Only in the middle of 1922 did over half of the wage take the form of money, and even in the first quarter of 1923, 20 per cent of the wage was in kind.<sup>41</sup> There were strikes, discontent, complaints. The trade unions, still responsive to pressure, made representations.

Conditions improved as more goods became available. The average monthly wage of workers in constant roubles was as follows:

<i>Monthly Wages (roubles)</i>	<i>Hourly Wages (kopecks)</i>
1913 30·49	14·2
1920-21 10·15	5·4
1921-2 12·15	7·3
1922-3 15·88	8·9
1923-4 20·75	11·7
1924-5 25·18	14·3
1925-6 28·57	16·6

(SOURCE: Gladkov, *Sovetskoe narodnoe khozyaistvo (1921-5)* (Moscow, 1960), p. 536.)

The statistics are of doubtful accuracy, given the great variety of local prices and the inflationary twists and turns, but they do reflect the consequences of rapid recovery of production. Farm prices, as we have seen, were relatively low after 1922. 1925 was a particularly favourable year, as all statistics show.

The comparison with 1913 is more favourable if one takes social services into account. These, for the 'proletariat', were relatively generous. Already the provisional government had

adopted advanced labour legislation, and the labour code of the war communism period would have been very advanced indeed if it had been possible to make a reality of it in the chaos of the time. The labour legislation of 1922 reasserted some of the principles of past decrees, and laid down some new ones. Workers were entitled to an eight-hour day (less in heavy work), two weeks' holiday with pay, social insurance benefits (including sick pay, unemployment pay, medical aid). Collective agreements between management and unions would regulate wages and working conditions. A disputes commission, with the union strongly represented, would consider grievances. The regime could point with pride to such legal enactments; they were well ahead of their time.<sup>42</sup>

However, a grave problem emerged: that of unemployment. It rose particularly rapidly in 1923, when trusts were finding it difficult to sell their goods, and when the government's policy was to encourage profit-making, and the elimination of surplus jobs and featherbedding. With so much pre-war industrial capacity still out of use there was not enough work to go round, even for the reduced urban labour force. Unemployment reached 1·24 million in January 1924, and fell to 950,000 in the next year, but began rising again to reach a figure of 1·6 million in 1929.<sup>43</sup> This might not at first sight seem serious, since unemployment in Britain was of about this magnitude at the time, and Britain was a much smaller country. However, this would be a misleading impression. The vast majority of the population of the Soviet Union were peasants, and peasants – whether or not they are in fact lying on the stove and counting fleas – are not considered to be unemployed. Taken as a percentage of the *employed* labour force, 1·46 million was a very high figure indeed; there were only 8·3 million 'workers and employees' in 1924, still well below 1913 levels. Thus the problem of unemployment was serious, and remained so until the end of NEP and of the decade, when a very different policy rapidly caused an acute shortage of labour.

The social consequences of high unemployment affected the young people in particular, partly because the progressive labour legislation of 1922 gave them special privileges (including a six-hour day), which naturally made the employers (be they

state managers or private Nepmen) think twice about employing them. Youth was already much shaken by its experience in the civil war. The number of orphan vagabonds (*begizorriytye*) was a menace to public order. The fact that there were so few honest jobs for them to do was of no help in rehabilitating them. Crime rates were high.

Wage determination was supposed to be centralized: a unified seventeen-grade wage schedule was adopted in 1922. But this was unenforceable and was systematically ignored in favour of local bargaining. The trade unions had, on a formal level, increased authority to protect the workers and advance their interests. However, the union leaders, among whom Tomsky was particularly prominent, were in a dilemma. They were senior party officials, with the closest links with the party leadership. Times were very hard, it was everyone's duty to pull together. The boat should not be rocked. Strikes would delay recovery and were to be discouraged. It is true that in 1919-20 the trade-union communists functioned as a quasi-autonomous group, as witness their rejection of Lenin's views on managerial authority (see Chapter 3). However, party discipline had perceptibly tightened since then, particularly since Stalin had assumed the general secretaryship of the Party in 1922. With Lenin out of action from the end of 1922, his successors were increasingly intolerant of dissent. In any case, the exercise of power in a hostile environment ('around us - the petty-bourgeois sea') predisposed them to stand together *vis-à-vis* the unpredictable and fickle masses, even though they could and did fight each other in the corridors of power.

The unions did have a clear and legitimate role as far as private employers were concerned. But they did not use their power to fight them, as this would have been contrary to the spirit of NEP; the dearth of all commodities required everyone to produce more.

In state enterprises, the trade-union committee secretary played a significant role alongside the manager and the party secretary. This kind of 'triumvirate' management persisted through most of the twenties. No doubt it was a step forward from 'workers' control', but it was still not an efficient method. However, since all the *spesy* (specialists) and most managers

were bound to be bourgeois and so of doubtful loyalty, this was a way of ensuring that each was provided with two watchdogs.

Given that tradition required some more direct workers' participation, there were also 'production councils' (*proizvodstvennye soveshchaniya*) and, in 1924, 'production commissions', the latter being permanent consultative bodies within factories, representative of the employees.<sup>44</sup> They seem not to have had much effect on management practices, but they did have an educational purpose: out of the workers that came forward in these bodies were chosen many future managers of a new type; they were sent off on training courses which provided new cadres, no longer of 'bourgeois' origin. In Leningrad alone, by April 1925, 900 such individuals were nominated for training for 'various administrative, technical and economic posts'.<sup>45</sup> 1925 may be said to have been the high point of NEP. The party's peasant policy was at its most tolerant, real or alleged kulaks were allowed to increase output. The humourist Zoshchenko wrote a story at this time about a kulak whose house was burning down: the (poor-peasant) fire brigade did not rush to put the fire out, but neither did the kulak. He was insured! So 'the fire brigade was deported for left-wing deviation' (the leftists, as will be seen, were accusing the leadership of being soft on kulaks). At the same time, while expanding state trade, the government was allowing Nepmen to function, as traders and as petty manufacturers and artisans, without much let or hindrance. A nationalized industry was operating on a largely decentralized basis. There was much talk of plans and planning, but no command economy. Growth was rapid, and so the system seemed to be succeeding beyond reasonable expectation. But this growth was based to a great extent on the reactivating of existing capacity, the re-absorption of available factory labour. Thus, according to Kving,<sup>46</sup> gross investments in 1924-5 (385 million roubles) were not greatly in excess of depreciation allowances (277 million roubles), and yet the rate of growth in production in that and the next year was very rapid. Further progress would require a much greater investment effort, devoted more to building new plant than to repairing and renovating old ones. Just as to repair old 'sick' locomotives and to re-lay damaged track cost much less than building a totally new railway,