

Title:

The USSR That Could Have been - Lenin's New Economic Policy

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Summary:

Mikhail Gorbachev (1931-) was not the first to introduce Perestroika - the economic liberalization of the communist system along capitalistic lines.

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During the Russian civil war (1918-1922) the Bolsheviks implemented what they called "War Communism" (1917-1921), the militarization of the economy. Between 1916 and 1920, industrial output plunged by more than four fifths. Grain harvests in both 1920 and 1921 disastrously dwindled, leading to widespread famine, claiming five million lives. A series of rebellions of sailors broke out, most famously in the Kronstadt naval base.

To counter the party's loosening grip on power, Vladimir Lenin (1870-1924) introduced the New Economic Policy (NEP). Trade was liberalized, as were industrial and agricultural production. Peasants were allowed to sell surplus produce on the open market and taxes were made proportional to net output.

In stark departure from communist ideology, farmers could lease land and hire laborers. The state embarked on an ambitious privatization program of small and medium-size enterprises, though it maintained control of the finance, transportation, heavy industry, and foreign trade sectors (the "commanding heights", as they were called at the time).

In 1921-2, Lenin re-introduced money to re-monetize the economy which consisted of barter, quotas, and centrally issued economic directives. Within less than 7 years, production in many parts of the economy reverted to pre-revolutionary levels. Nor did the NEP die with Lenin. It continued for 4 years after his death in 1924.

But the policy was not without its faults.

NEP was characterized by inflation and the need to cap the prices of non-agricultural goods. Peasants hoarded grain for speculation purposes. A black market in goods was developed by Nepmen - private traders. Communist party General Secretary Joseph Stalin (1879-1953), reinstated agricultural production quotas in 1929, collectivized all arable land, and criminalized private trading in 1930. In 1928, he promulgated the first Five-Year Plan (1928-1932) and central planning replaced market mechanisms. The NEP was dead.