**Niu Shuting: Rethinking the reasons for the end of the Soviet Union's New Economic Policy**

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**Author is professor and researcher in the Soviet Union and Eastern Europe Institute attached to Chinese Academy of Social Sceinces, Beijing**

**Summary:**

The New Economic Policy was an economic policy that the Soviet Union began to implement in March 1921 in order to transit to socialism. Lenin comprehensively summarized the lessons learned from the wartime communism policy and realized that in a backward small peasant country like Russia, the transition into a socialist society can only be achieved through a roundabout or indirect way and not directly. Therefore, at the 10th meeting of the Russian Communist Party (Bolshevik), Lenin proposed to replace the forced way of surplus grain collection system with a grain tax and use state capitalism to carry out socialist construction. The implementation of the New Economic Policy restored the national economy, consolidated the worker-peasant alliance, and consolidated the Soviet regime. However, with the death of Lenin, the contradictions of the New Economic Policy in the later period of its implementation were increasingly exposed due to the internal and external environment and its own theoretical defects, and there were major differences in the views on the New Economic Policy within the Russian Communist Party (Bolsheviks). There are currently many different opinions in the academic community about the reasons for the end of the New Economic Policy. One view is that Stalin ended the New Economic Policy out of his desire for power and political ambition. Another view is that Stalin's deviation from the essence of the New Economic Policy led to a series of crises in the later period of the implementation of the New Economic Policy, which eventually led to NEP’s end. Under the guidance of the Marxist theory of historical synergy, this article explores the reasons behind Stalin's ending of the New Economic Policy. By consulting original documents such as Soviet historical archives, this article will analyze the international and domestic environment during the period when the Soviet Union implemented the New Economic Policy. And the article will examine the comprehensive **impact of four major factors on the final end** of the New Economic Policy from the perspective of historical dynamics. **Direct cause:** growing tensions in the international situation and increasing external pressure on the Soviet Union from 1925 onwards and Soviet Russia's International Survival dilemma. **Root Cause:** Soviet Russia's serious and severe domestic economic and social crisis beginning in 1926. **Main Cause:** Intra-Party political struggles and divergent views on where NEP is leading Soviet Union. **Important Cause:** Both the remnants of ideas from Tsarist Russia and current influential cultural ideas, the peculiarities of the socialist ideas formed in the Soviet Union and the lack of a systematic theory inherited from Lenin led to the abandonment of NEP. The imperfect nature of the theoretical system of the new economic policy shortened the duration of its implementation.

**Chapter I. Growing tensions in the international situation and increasing external pressure on the Soviet Union from 1925 onwards and Soviet Russia's International Survival dilemma.**

In the mid-1920s, the international situation underwent new changes. The imbalance in political and economic development among capitalist countries became increasingly serious, and Soviet leaders argued that the international community at that time was "prone to the most profound and acute crisis of world capitalism, we are in a crisis which is pregnant with new wars"[1].

**1. The Soviet Union faced the joint hostile actions of Western capitalist countries during the New Economic Policy period**

In the early 1920s, the world socialist revolutionary movement fell into a low ebb, and capitalist countries were in a period of peaceful development and stability. In order to win development opportunities, the Soviet Union actively established friendly diplomatic relations with various countries. During this period, the Soviet Union's foreign diplomatic relations were relatively harmonious. The resolution of the 14th Congress of the Russian Communist Party (Bolsheviks) pointed out: "In terms of international relations, the 'breathing period' is consolidating and expanding. It has become a whole period of so-called peaceful coexistence between the Soviet Union and capitalist countries. " [2] 75 However, the international situation is constantly changing, and temporary peace may turn into a crisis at any time.

Especially in the late 1920s, frictions and contradictions between capitalist countries and the Soviet Union occurred from time to time. The Soviet Union faced joint hostile actions such as economic blockades by Western capitalist countries. When the Soviet Union was in a food crisis, the United States Relief Administration provided it with food and medicine. The seemingly humanitarian aid was actually "famine aid combining humanitarianism with political motives" [3]. The US government attempted to create confrontation between the Soviet government and the masses through aid, thereby accelerating the collapse of the Soviet regime.

**2. The international survival dilemma exacerbated the imbalance in the development of industry and agriculture in the Soviet Union and Russia**

It was a historical necessity for Soviet Russia to implement industrialization. Under the dual survival crisis at home and abroad, Soviet Russia had to further expand its industrial scale. At this time, agricultural production could not solve the sales market and raw material needs urgently needed for industrial development. Under the influence of the turbulent international situation, Soviet Russia quickly realized industrialization, and finding sources of funds became an imminent top priority. The economic blockade and suppression of foreign capitalist countries made the isolated Soviet Russia seek the source of primitive accumulation internally. Agriculture was restored and developed under the new economic policy, but due to the disperseed natüre of the small peasant economy and individual mode operation, it could only slowly deliver the needed raw materials and only slowly give financial support to industrial construction. Therefore, the new economic policy could not complete the task of high-speed industrialization and capital accumulation in a short period of time.

**Chapter II. Root Cause: Soviet Russia's serious and severe domestic economic and social crisis beginning in 1926.**

Although the Soviet Union's New Economic Policy played a positive role in restoring the national economy and improving people's material living conditions, its implementation brought about an economic and social crisis far beyond the period of wartime communism period. The conflict between the rich and the poor in the countryside, the prevalence of the urban Nepman class (Nepman is a transliteration of the Russian word, which is a general term for small businessmen, small owners and capitalist speculators that emerged during the implementation of the Soviet Union's New Economic Policy), and the emergence of large-scale unemployment among workers all affected the direction of the New Economic Policy.

**1. Imbalance in industrial and agricultural development triggered a crisis in the sales of industrial products**

In the summer and autumn of 1923, the Soviet Union experienced a serious industrial product sales crisis. This crisis was caused by the "scissors gap" in the prices of industrial and agricultural products (the scissors gap refers to the difference between the price of industrial products and the price of agricultural products when industrial and agricultural products are exchanged. "Scissors gap" also indicates the unequal exchange of the value of industrial and agricultural products). The extreme shortage of domestic material resources has put tremendous pressure on state trusts and big industrial enterprises, and they have to misappropriate circulating capital for a long time to develop production. Therefore, in order to get rid of the abnormal development model in the heavy industry, the Soviet National Economic Commission decided to give state trusts full power to sell goods at a price that guarantees the highest profit. This led to a period of time in the future, when the prices of grain, agricultural products and light industrial raw materials sold by farmers were kept low, and a bigger "scissors gap" appeared between the prices of industrial and agricultural products. Farmers were unable to buy industrial products, resulting in a large backlog of goods, affecting the normal turnover of goods and funds, and factories were unable to pay workers' wages. As a result, from 1923 to 1924, 5,611 workers' conflicts and 191 strikes broke out in Soviet Russia, involving as many as 80,000 people. The Central Committee of the Communist Party had to resolve the crisis through administrative means such as coercive measures to lower the prices of industrial products and raise the prices of agricultural products.

**2. The spontaneous nature of the market economy caused a grain procurement crisis**

From the end of 1927 to 1928, the Soviet Union experienced a grain procurement crisis. The causes of the crisis were complex, including low grain prices, shortage of rural commodity supply, rich peasants’ speculation, and farmers’ reluctance to sell grain. Bukharin, a member of the Politburo of the Central Committee of the Communist Party, argued that the decline in grain production was caused by errors in the state’s planning guidelines, and that the rich peasants took advantage of the errors in the state’s planning instructions to speculate, in fact which was not the root cause of the crisis. Stalin, the main leader of the Soviet Party, disagreed. Stalin argued that there were three reasons for the grain procurement crisis.

First, the slow pace of socialist industrialization led to insufficient accumulation of commodity materials in society, which led to insufficient commodity supply in rural areas.

Second, the Soviet Union was a large agricultural country composed of small peasant economies, and low commodity grain productivity was a characteristic of small peasant economies.

Third, rich peasants in rural areas speculated and accumulated grain, deliberately disrupting the normal grain collection work of the state.

Stalin argued that the way out of the grain crisis was to transform backward and scattered small farmers into large, united, public farms that were supplied by machines, armed with scientific achievements, and which should be capable of producing the largest amount of commodity grain. The way out was to transition from individual peasant economy to collective public economy in agriculture. [4] On the surface, the debate was about the reasons for the grain procurement crisis and how to solve the crisis. In fact, this was a struggle over whether the Soviet Union should continue to implement the New Economic Policy or terminate it.

**3. Intense social conflicts broke out in the late period of the implementation of the New Economic Policy**

During the implementation of the New Economic Policy, the rich peasant problem has always been a major problem that troubled the Soviet government. As the New Economic Policy relaxed restrictions on renting land and hiring labor, the rich peasant class grew up in the countryside, which made the class differentiation between poor peasants and hired peasants increasingly serious. The rich peasants further expanded their own material wealth accumulation by exploiting the labor of poor peasants and hired peasants and occupied more means of production, which created a fundamental contradiction between the rich peasant class and the poor peasant class.

**4. The rise of the urban Nepman class exacerbated social conflicts in the urban areas or cities**

The contradictions that emerged during the New Economic Policy period were not only manifested in the countryside. The emergence of the Nepman class in the cities also exacerbated social conflicts. In May 1921, the Soviet government issued a directive that "there would be no restrictions on the free disposal of the goods produced by farmers, handicraftsmen and small commodity producers", allowing some people to "carry out these activities in the market and fairs, or in other places, such as setting up small stalls and selling goods in indoor shopping malls" [5]. These people were called Nepman class. The rapid growth of the Nepman class triggered a series of conflicts.

First, in order to maximize surplus value, the Nepman class squeezed and exploited workers by unlimitedly extending working hours, increasing labor intensity, and by reducing wages.

Second, the Nepman class carried out predatory development without the consent of the Soviet government, and worked day and night in pursuit of maximum interests.

Nepman’s such predatory and exploitative behaviors quickly aroused dissatisfaction among workers and the government.

Third, during difficult times in the country, the Nepman class purchased some commodities at high prices, causing market shortages, and then sold them at even higher prices to make more profits.

Therefore, at the 13th Congress of the Communist Party and the Soviet government decided to vigorously develop cooperatives and restrict the development of private capital. In the relevant resolution of 1926, it was proposed to "thoroughly eliminate the remnants of the political influence of the bourgeoisie (Nepmen, rich peasants, and bourgeois intellectuals) on the working people" [2] 169.

In 1927, it was proposed to "adopt a more resolute policy of economically excluding private capital in the industrial and commercial fields" [2] 361. Because the Soviet government was worried that the excessive expansion of private capital would lead to capitalism, it introduced a policy of restriction and suppression against the Nepmen class in the later period of the implementation of the New Economic Policy. It is easy to imagine the fate of the New Economic Policy due to this situation change.

**Chapter III. Main Cause: Intra-Party political struggles and divergent views on where NEP is leading Soviet Union.**

After Lenin's death, the debate within the party over the New Economic Policy became increasingly fierce, especially in the later stages of the NEP policy's implementation, when various economic and social crises emerged one after another due to inherent defects of NEP program. One was NEP’s incomplete theoretical system, and second was mistakes in the implementation of NEP policies. There were constant voices within the party opposing the New Economic Policy, and the focus of debate within the party was on what direction the New Economic Policy should go and what path the Soviet Union's socialist construction should take.

**1. A fierce debate within the Party on whether to attack or retreat under the New Economic Policy policy**

The Soviet Union's New Economic Policy had been controversial since its implementation in 1921 March. Many people in the Communist Party are opposed to and were skeptical of the New Economic Policy. They believed that the implementation of the New Economic Policy was a policy of retreating to capitalism, and when conditions would be ripe, the Soviet Union would evolve into a capitalist country. The half anarchist left "Democratic Centralists" fraction did not recognize the party's leadership over the Soviet state, and opposed against the party's centralized leadership in the economic and political fields. And they claimed that the New Economic Policy might restore capitalism. The so called “left” wing "Workers' Opposition" argued that the party should obey the leadership of trade unions in economic management and in political matters. They argued that New Economic Policy vigorously develops capitalist elements, which not only hinders the country's socialist construction, but also poses a threat to the workers' revolutions in the western capitalist countries. In fact, the implementation of the New Economic Policy was a retreat that would lead to a strategic counteroffensive at the right time when revolution is approaching in the Western world. [6]

Lenin pointed out: The New Economic Policy was adopted because, in the spring of 1921, after our experience of direct socialist construction carried on under unprecedentedly difficult conditions, under the conditions of civil war, in which the bourgeoisie compelled us to resort to extremely hard forms of struggle, it became perfectly clear that we could not proceed with our direct socialist construction and that in a number of economic spheres we must retreat to state capitalism. We could not continue with the tactics of direct assault, but had to undertake the very difficult, arduous and unpleasant task of a long siege accompanied by a number of retreats. This is necessary to pave the way for the solution of the economic problem, i. e., that of the economic transition to socialist principles”. https://www.marxists.org/archive/lenin/works/1921/oct/29.htm

**2. Major Differences within the Party on Whether to Continue or End the New Economic Policy**

The end of the New Economic Policy was a gradual process. The successive grain procurement crises in the later period of its implementation triggered a fierce debate within the party on the New Economic Policy. The "left" opposition fundamentally denied the role of the worker-peasant alliance and simply wanted to rely on the poor and hired peasants in the countryside and wanted to promote rural class struggles and achieve the goal of transitioning to socialism under the leadership of the proletariat.

Bukharin's right-wing group tried its best to defend the New Economic Policy. And this right-wing group argued that only by implementing the New Economic Policy could the worker-peasant alliance be consolidated, and this was the only correct path for the Soviet Union to move towards socialism. As the main leader of the party, Stalin criticized these two tendencies.

In response to the views of the "left" opposition, Stalin proposed that consolidating the worker-peasant alliance and realizing the combination of industrial and agricultural economy was the correct path, and that it was absolutely should not be allowed to damage and deprive the interests of farmers. In response to the views of the right-wing group, Stalin pointed out that the Soviet Union's transition to socialism must be under the leadership of the proletariat, and it is absolutely wrong to expect farmers to spontaneously embark on the socialist road. Stalin said: “Socialism is just empty talk without class struggle”.

**3. The exposure of the inherent contradictions and defects of the New Economic Policy accelerated the process of NEP’s termination**

The New Economic Policy was introduced as an emergency policy, which to a certain extent eased the social crisis caused by the implementation of the war communism economic policy. However, NEP was not formulated based on a complete theory. With the implementation of the New Economic Policy, its internal contradictions and its defects became increasingly prominent.

First, the Communist Party had always regarded the New Economic Policy as a dangerous and risky policy. While allowing the market to play a role, the Party strictly limited the scope of the market.

Secondly, the short-term task of the New Economic Policy which was to develop production through state capitalism was inconsistent with the long-term goal of communist society. Therefore, concessions could be made to the petty bourgeoisie such as farmers in the economic sphere, but it should be absolutely wrong to give any compromise in the sphere of politics and ideology.

Thirdly, the Soviet Union was surrounded with relatively peaceful enviroment at that time, but now the international environment was facing the threat of war. Promoting the balanced development of the national economy through the use of market mechanisms and the rapid realization of national industrialization were contradictory, which was also the reason for the end of the New Economic Policy.

**4. The Soviet Union’s economic system reform was constrained by the political system and Soviet Union’s political system was not fully compatible with the New Economic Policy**

The New Economic Policy was not only Lenin's inheritance and innovation of Marxist theory, but also proposed a major change in Soviet Russia's history and historical legacy. However, while the Soviet Russia carried out drastic reforms in the economy, Russia still inherited the system of the War Communism policy in the political and cultural fields. War Communism policy in the political and cultural fields was not completely compatible with the reforms of the New Economic Policy and even had a mutually contradictory impact. In the early days of the implementation of the New Economic Policy, Lenin clearly stated, "We see very clearly and do not conceal the fact that the 'New Economic Policy' is a retreat. "[8]8.

On March 6, 1922, in the Eleventh Congress Of The R.C.P.(B.) Lenin said: "We say - I hope and believe – tha the Party Congress will also formally declare in the name of the leading party of Russia…… The retreat has come to an end. It is now a matter of regrouping our forces. These are the instructions that the Congress must pass so as to put an end to fuss and bustle. " <https://www.marxists.org/archive/lenin/works/1922/mar/27.htm>

These words by Lenin in this Party congress, in some way contradicts with his other texts. The Soviet Union allowed the existence of capitalist private ownership in the economy, and the contradiction between politics and economy had made the political control of the New Economic Policy more difficult day by day. The lack of a relaxed and proper political environment and proper legislative guarantees required for the free development of the market economy was undoubtedly a major blow to the New Economic Policy.

**Chapter IV. The influential views on ideology and culture in the country and the conception of socialism in the Soviet Union at that time were an important reason for the end of the New Economic Policy**

The New Economic Policy was emergency and temporary in nature and had not been well understood for a long time. Therefore, it was not recognized by the general public and general people when it was first proposed. The traditional Russian autocratic ideas and Bolshevik socialism construction goals were inconsistent with the New Economic Policy's needs of developing state capitalism. Although "new" developments had occurred in the economic field, the "old" understanding still dominated in the ideological and cultural fields, leading to a contradiction and misalignment between ideology and practice. In addition, the New Economic Policy itself did not have a complete theoretical system, which ultimately made it unsustainable.

**1. The imperfect situation of the theoretical system of the Soviet Union’s new economic policy shortened the implementation period**

The New Economic Policy was not proposed after a long period of preparation and on a rich theoretical basis. NEP was implemented as an emergency policy when wartime communism encountered a serious political and economic crisis. Looking from the perspective of the entire historical process, the Soviet party leaders had a short estimate of the duration of the New Economic Policy, And they had an oversimplified estimate of the use of capitalism and ultimate elimination of capitalism in the economic field. And most of the leaders had a fixed mindset in dealing with issues such as the market through state regulation and in dealing with the principle of state’s supervision of the economic life. These internal contradictions gradually emerged in the later period of the implementation of the New Economic Policy.

Domestic class contradictions, the sharpening of the gap between the rich and the poor, the slow development of industry and agriculture, and the severe environment of foreign wars and political coups around the world and Europe constantly threatened the Soviet regime. Under such circumstances, the end of the New Economic Policy can be seen as a historical necessity.

**2. The New Economic Policy’s developing or making use of capitalism was in conflict with the socialist thinking and ideology of the Soviet people**

The civil war forced the Soviet Union to implement the policy of war communism, and the socialist ideology gradually penetrated into people's minds. The ideology of socialism at that time mainly included: resolutely opposing the commodity economy and the ideology of capitalism. This ideology also included "direct transition" to socialism, and constantly upholding the idea of ​​class struggle, and similar other ideas. The new economic policy proposed the development of free trade, commodity exchange, and currency circulation, which were all seen as providing a breeding ground for the restoration of capitalism in the Soviet Union, so many people were thinking negative and were skeptical about it.

**V. Conclusion**

Through the above analysis, we can see that the reasons for the end of the New Economic Policy are complex and diverse. The historical combined force formed by the turbulent international environment and domestic political struggles, domestic economic contradictions, ideological differences and other constraints have all together led to the end of the New Economic Policy. The proposal and implementation of the New Economic Policy were both under a specific historical background, but NEP’s end was also a historical necessity. In the further study of the reasons for the end of the New Economic Policy, we should put it into the historical background of the time and make a comprehensive examination. We should not simply attribute its end to the actions of a certain person, but should look at the problem comprehensively and objectively.

The inspiration of the Soviet Union's New Economic Policy to us is:

we must adhere to the combination of the basic principles of Marxism with China's specific reality and insistently take the road of socialism with Chinese characteristics. In the process of socialist construction, we must adhere to the dialectical materialist methodological principle of concrete analysis of specific issues. We should adjust strategic policies at any time according to actual conditions, and follow the trend of historical development in order to better build a modern socialist country.