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Post-war Economies (Russian Empire)

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In the context of the Russian economy's spectacular collapse under the strain of the First World War and the 1917 revolution, this article analyses the two main phases of economic strategy in Soviet territory between the October Revolution and the de facto completion of the post-war economic recovery in 1925: War Communism and the New Economic Policy (NEP). It highlights a plan from 1920 to import a huge quantity of railway equipment to show that the Bolshevik regime regarded War Communism as a viable system for delivering industrial modernisation, and that the NEP marked an enforced retreat from such optimistic planning. The article stresses the need for more research to clarify the nature of economic activity in non-Bolshevik areas during the civil war.

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Introduction

The early post-war Russian economy was a product of World War One in economic, military and especially political terms. A new long-term development strategy was already a matter of public discussion by 1916 because of the economy's difficulty in coping with the war effort. Ultimately, of course, that huge strain would prove unbearable, with chronic food and fuel shortages in urban areas contributing decisively to the revolution in the capital, Petrograd, during February-March 1917. That

political crisis would famously determine the character and direction of Russian economic activity not just during the interwar years but well beyond. It rapidly led to the seizure of power in Petrograd in October 1917 by the Bolshevik Party of Vladimir Il'ich Lenin (1870-1924), a brutal [civil war](#) and a communist experiment that would last until 1991, with a legacy still felt.

In this context the term "post-war" is hard to define. [Russia's](#) exit from the Great War was formalised by Lenin's Soviet government through the signing of peace treaties with the Central Powers in March 1918, notably the [Treaty of Brest-Litovsk](#) with the [German government](#). But for most of the war-weary population in the former Russian empire, violence was the reality for at least two more years. The war between the Bolshevik regime's [Red Army](#) and the armies of their so-called White opponents would continue until 1920. Military intervention by [Great Britain](#), [France](#), [Japan](#) and the [United States](#) would add at least 75,000 foreign troops to this turmoil during 1918-19 – many more if German forces in the west in 1918-19 and the Polish invasion of 1920 are included. Moreover, numerous separatist conflicts would erupt in the periphery of the erstwhile empire, and many areas were plagued by [paramilitary](#) activity and banditry. There was still fighting in the Far East as late as 1922.

In economic terms the turning point – and arguably the effective start of the post-war recovery – came in the winter of 1920/21. But for this article it makes most sense to treat the Bolshevik seizure of power in Petrograd as the start of the "post-war" period because of its decisive impact on the political landscape. As for defining the end of the "early" years, 1925 seems most appropriate. This year saw the output in most sectors regain 1913 levels, the peak performance under the old regime – a politically and psychologically important achievement that can be said to mark the completion of the post-war recovery.

Historians conceptualise the first decade of economic activity in Russia from 1917 as two distinct phases, using terminology that the Bolsheviks themselves developed by 1921. The first period, from the winter of 1917/18 to March 1921, is known as [War Communism](#). These years were dominated throughout the old empire by desperate measures to mobilise resources for the civil war, which in Bolshevik territory included such radical steps as the abolition of all private enterprise and trade. Unsurprisingly, industrial and agricultural production collapsed, as did the currency. By contrast the second period, known as the era of the New Economic Policy (the NEP, March 1921-circa 1928), encompassed the revival of economic activity within a mixed state/private framework, with efforts to stabilise the currency and to repair and rebuild the physical infrastructure.

In terms of the economy's history during 1917-25 the two biggest controversies have concerned the character of War Communism and the character of the NEP - in both cases, to what extent did the policy reflect the Bolsheviks' communist ideology as opposed to sheer desperation? Also significant is the related question of how far these policies respectively marked a break with, or a return to, the past. This short article seeks to comment on these issues in light of the author's research on the industrial infrastructure and Bolshevik economic strategy during these years. It is organised chronologically in two parts, looking first at War Communism and then at the NEP.

War Communism

By October 1917 the economy was unquestionably in crisis. The political turmoil that followed the [February Revolution](#) had compounded the economy's already serious problems. There was a precipitous collapse in [labour](#) productivity, output slumped, and the urban [food](#) and fuel shortages became acute. Needless to say, the Bolsheviks encouraged this collapse to help create the conditions for their bid for power. Whether they gave much thought at this time to future economic strategy is arguable, but they certainly had to face this challenge once they had taken power. As leaders of the new Soviet government Lenin and his comrades naturally became desperate to arrest the collapse. Yet within weeks they were facing resistance and armed rebellion, and by early 1918 it was becoming clear that they would need to mobilise for civil war amid almost complete international isolation. The result for the Soviet economy was War Communism.

War Communism as an economic-political system involved a range of extreme measures to secure and maintain Soviet state control over the entire economy. Foremost among them were the nationalisation of all industry, trade and commercial property (including foreign-owned assets) without compensation, the abrogation of Russia's foreign debt and the enforcement of compulsory food requisitions from farmers as the main means to supply food to the urban areas. Some of these measures, such as the food detachments and the grain monopoly, had already been introduced by the Tsarist regime, but others were new, such as the casual disregard for currency stability as a relic of capitalism. Perhaps the most important contrast with the recent past, however, was the Bolshevik leadership's fierce and uncompromising determination to preserve their grip on central political power and win at all costs, with no compunction about using terror to that end.

Historians have debated whether the main motive behind the most radical changes was the Bolsheviks' communist ideology, their desperation to mobilise resources for their war effort or perhaps a combination of both ideology and desperation. Whatever, it seems clear that while War Communism did enable the Bolsheviks to keep their armies more or less sufficiently supplied with arms, munitions and food, the cost was very high. Industrial and agricultural production collapsed despite – many would say largely because of – their policies. So too did the currency, producing a trade crisis that the Soviet regime did not plan but that at least some Bolsheviks welcomed as a key step in starting to build communism.

Some of the Bolsheviks' key policies for the economy were actually far less revolutionary than one might expect. For example, fascinated by the management theory known as Taylorism that had reached Russia from the USA just before the First World War, Lenin promoted a modified version of this quintessentially capitalist idea as a key to production efficiency in a socialist economy. Similarly, much effort and scarce printing ink were expended on promoting the "scientific organisation of labour". Even the five-year planning system, which would become the heart of the Soviet economy from 1928, had deep pre-revolutionary roots. Its first serious manifestation in the Soviet era was the transport commissariat's decrees no. 1042 and 1157 of May 1920, which promulgated five-year repair plans for the railway locomotive and wagon stocks respectively and which, as initiatives of

[Leon Trotskii \(1879-1940\)](#), have been seen as precursors of the whole Soviet long-term planning system. In fact, these plans were really a continuation of the [Tsarist government's](#) decision in 1916 to bow to long-standing pressure from the heavy engineering industry for long-term (five-year) contracts at fixed prices for railway locomotives and wagons – a policy upheld by the [Provisional government](#) during 1917.

Collapse, however, was the dominant theme during these years, producing unquestionably one of the deepest economic crises in modern European history. It is impossible to be precise in quantitative terms because civil wars are not conducive to accurate and comprehensive economic record-keeping. We do have plenty of contemporary Soviet production statistics, but this data is almost always incomplete and it is rarely possible to make meaningful connections and comparisons between the various sources. Moreover, these sources naturally cover only Soviet territory – a point that is frequently overlooked in discussions of the economy during the civil war, but which is crucial given that the Bolsheviks controlled just a small part of the old empire at the height of the conflict in 1919. So far as one can see – there has been little research as yet – the situation was no better in the territories of the Bolsheviks' opponents, mainly the Whites. The same problems with statistical data also apply here. Indeed such data is rare and scattered – a problem that reflects the widely dispersed locations of the main opposition groups and armies and their lack of effective centralised coordination.

Very crudely, one can suggest that industrial and agricultural output in 1920 was at most 25 to 30 percent of peak pre-war levels attained in 1913. Some analysts put the figure even lower. For example, I.B. Orlov has written of the country's production resources being so "thoroughly shattered" that industrial production in 1920 was seven times less than in 1913.^[1] Moreover, there was probably little difference between Red and non-Red areas in terms of economic outputs. Supplies of food, fuel and [raw materials](#) to industrial enterprises in non-Bolshevik territories were badly disrupted, and if food production was depressed in Bolshevik and non-Bolshevik areas alike by requisitioning, it was also hampered in the White-controlled areas by land ownership policies that alienated the peasantry through harking back to the Tsarist era. Generally, more research is much needed concerning economic activity in those White areas.

A related question is the extent of the physical damage and destruction. In the Great War this problem was confined to the far west and the southern Caucasus, but the civil war took it to most places. The Soviet regime accused counter-revolutionaries and their foreign allies of causing a massive amount of damage. Indeed it submitted a huge compensation claim to the 1922 Genoa international conference on economic reconstruction. Soviet historians echoed this line. For example, the main Soviet encyclopaedia about the civil war claimed that in the crucial Donbass heavy industrial region most of the coal mines were destroyed and flooded and that about 60 percent of the electricity-generating capacity was destroyed. It presented the losses on the [Russian railway network](#) as including 2,700 bridges, fifty-one depots and over 1,000 kilometres of track.^[2] Western historians have tended to accept these claims. For instance, the widely respected British economic

historian Alec Nove describes the years 1917–21 as dominated by destruction and fighting.^[3]

But how far does this picture correspond to reality? Several historians have expressed doubts. Hutchings has observed that "military operations harm an economy mainly because of their dislocating effects, only subsidiarily because of direct destruction".^[4] As for a specific case, Coopersmith sees the fuel crisis, not infrastructure damage and destruction, as the main reason for the collapse in electricity output during 1917-21.^[5] Similarly, the present author has shown that the damage and destruction on the railways have been overstated.^[6] In short, it is possible, and even likely, that the damage to the economic infrastructure was far less than has generally been thought. More research to clarify this point would be useful.

That said, the collapse would have seemed appalling to the average person in Bolshevik or non-Bolshevik Russia alike. Town dwellers faced a constant battle to get basic necessities such as food, fuel and clothing, and often resorted to the black market at great cost and personal risk. A common tactic was to try to get a job that carried a guaranteed food ration: hence, for example, the railway system's labour roll grew dramatically at this time. Peasants could expect fatal reprisals if they resisted the requisitioning, and could easily be left without food by an overzealous requisition brigade.

Unsurprisingly, the almost complete disintegration of the Soviet economy did produce serious political discontent in Soviet territory. Especially dangerous was the huge reduction in the amount of food being produced. By the winter of 1920/21 the economic situation was so bad, with dire shortages of food and fuel, that it threatened the very existence of the Bolshevik regime. Mass rebellions occurred, notably the rising of thousands of peasants in the Tambov province and the famous mutiny by navy sailors at the Kronstadt naval base near Petrograd. The regime successfully used the Red Army to crush this opposition, but Lenin also became convinced of the need to change course.

The New Economic Policy (NEP)

The New Economic Policy (NEP), as Lenin's alternative strategy soon became known, was introduced in March 1921 by the Bolshevik Party's Tenth Congress. Its essence was a political compromise intended to stimulate food production. It involved a partial liberalisation of the economy through the denationalisation of small-scale private trade. Peasants were to be allowed to pay their taxes in kind (preferably with food) and to trade any of their remaining produce that was surplus to their personal requirements. A further implication was the need to stabilise the currency, and within weeks this partial restoration of market relations had to be extended to small-scale industrial enterprises. But there was no retreat concerning the "commanding heights" of the economy, including heavy industry, the banking system and the railways. These were to remain in state ownership. Indeed the introduction of the NEP was accompanied by the creation of the State Planning Commission (*Gospplan*) – the institution that, from 1928, would operate the notorious five-year-plan system for running the whole economy.

The NEP compromise was highly controversial within the Bolshevik Party. Many members felt with good reason that it looked like a revival of capitalism. Some were so outraged by what they saw as a betrayal that they committed suicide. Lenin took a pragmatic view: either the party would use this compromise to stimulate food production quickly or it could expect defeat and annihilation. However, he also understood the political angst. Therefore, depending on his audience, he presented the change variously as either the next logical step forward or a vital retreat that had to be implemented seriously and for a long time but was ultimately temporary.

This dichotomy has encouraged an analogous difference of assessments among historians. Some have presented the NEP as a transition phase, effectively treating War Communism as an enforced aberration. Others, especially in the West, have argued that whatever the origins of War Communism, the Bolshevik regime was committed to that system for the long term by 1920, and that therefore the NEP did mark a significant political and indeed economic retreat. The present author's book *Modernising Lenin's Russia* cast new light on this issue by studying the Bolshevik economic strategy during 1919-21.^[7]

At issue is the question of how to interpret the Soviet government's remarkable decision in March 1920 to allocate 300 million gold rubles – roughly 40 percent of its gold reserve – to begin importing a vast amount of railway equipment. The scale of this plan was unprecedented not just for Russia but globally: it stipulated the purchase of 5,000 new locomotives and 100,000 freight wagons as well as many thousands of tonnes of spare parts and materials. No other sector of the Soviet economy enjoyed the same priority. So what was the government thinking?

By February 1920, with the White armies effectively beaten, the key threats to the regime were the [transport](#), fuel and food crises. But these crises were not seen as equally threatening. The Bolsheviks' new main slogan "Everything for Transport!", which was coined in December 1919, shows that they saw the transport crisis – in essence, the railway crisis – as the worst danger. Yet building thousands of locomotives and wagons could not solve it because the production process would take many months even in ideal circumstances. Moreover, it was not yet clear that it would even be possible to establish trade relations with the major capitalist powers. In short, it was inconceivable that large-scale imports of new locomotives and wagons could banish the immediate transport crisis.

The present author's argument is that the railway imports plan reflected a desire to start modernizing the economy immediately within the framework of War Communism. In February 1920 Lenin asserted that the transport and food crises would be resolved during the next few months, and that then the modernisation of Russia could at last be started. He also lauded the start of preparatory work on a long-term plan for nationwide electrification, known as the GOELRO Plan. At the same time Lenin was sceptical about the prospects for foreign trade, not least because he thought that the major capitalist economies were also in a poor condition. In this context the most likely explanation for the proposed imports is that the plan was seen as a potential means to speed up the modernisation process. Almost certainly the intention was to place contracts with the largest US

suppliers, as the Tsarist and Provisional governments had done in response to the war emergency of 1914-17, and to have most of the deliveries scheduled for 1921. In this respect, then, the Bolshevik plan represented the continuation of emergency tactics from the Great War, albeit now with the goal of rapid peacetime economic modernisation.

The reality of the plan's implementation was somewhat different. The US government rejected all Moscow's attempts to sign a trade agreement that would provide a legal framework for US firms to trade directly with Soviet institutions. For the railway equipment, then, the Soviet regime turned to Western Europe. Here it had a fair degree of success. By March 1921 it had placed orders with German and Swedish firms for as many as 1,700 new locomotives – well short of the plan target but still a very large number that was unprecedented in Europe. In the meantime, however, the policy was reviewed in Moscow and it was basically abandoned in early 1921, as was the GOELRO electrification plan. The food and fuel crises had continued to worsen, foreign loans were not forthcoming, and the gold reserve was running low. A different strategy was needed.

In this light the introduction of the NEP does seem like a significant retreat in economic strategy, not just ideology. It confirmed the reality that large-scale investment in rapid industrial modernisation was impracticable at this time. Instead, the industrial recovery would have come largely through repairing the existing infrastructure. The initial aim would need to be simply to restore production to the levels of 1913. Moreover, the process would have to take a long time because of the acute shortages of resources. The modernisation drive that Lenin had mentioned back in February 1920 was deferred indefinitely. "Restoration" (*vosstanovlenie*) of the economy was the new priority.

Production levels of 1913 were attained much more quickly than many experts expected. As of 1923 *Gosplan* assumed that this recovery would not be completed until about 1930, possibly even 1940. But actually most sectors achieved this target in about 1925. The only significant laggard was, unsurprisingly, external trade: the Bolshevik regime could not obtain large-scale foreign loans and had few resources for export.

But if the NEP did save the regime from disaster in 1921, the recovery process was far from smooth, generating serious new political tensions. The NEP came too late to avert a massive famine that lasted until 1923. Several million people died despite emergency food aid from abroad. Also, a severe imbalance developed in the terms of trade between urban and [rural areas](#) that endangered the whole recovery in 1923. Known as the "scissors crisis", it involved a combination of rising industrial prices and depressed agrarian prices. Meanwhile unemployment grew rapidly, up to perhaps 15 percent of the labour force: how could an avowedly proletarian regime tolerate a system that put so many workers out of a job?

Two issues particularly worried rank-and-file party members, both rooted in the ideology of class war. The recovery desperately needed the expertise of engineers and managers to run the industrial economy, but very few Bolsheviks had that kind of specialist knowledge. Typically party members distrusted these specialists as bourgeois class enemies looking for opportunities to sabotage the Soviet system. So although the regime simply had to accept this risk, its truce with the "bourgeois

spetsy" was always uneasy. Similar concerns were caused by the tactic to boost food production through encouraging peasants to "get rich quick". The NEP created a community of prosperous peasants that looked like an emerging rural petty bourgeoisie. At the same time the outlook remained bleak for the majority of peasants, especially those who had no land. Was the party abandoning its core concept of a union between workers and peasants, and creating a new rural class enemy?

The end of the "restoration period" in 1925 changed this political dynamic. Coming soon after Lenin's death, it helped to ensure that future economic strategy was at the centre of the intense succession struggle within the party's top leadership. Should the party persist with the NEP compromise, which implied a gradual pace of change, or resume the socialist offensive in radical urgent fashion? Should the NEP tactic of trying to attract foreign trade and investment continue, or should domestic resources be the key, as argued from 1924 on by Iosif Vissarionovich Stalin (1878-1953) with the slogan "Socialism in One Country"? As Erlich, Cohen and others have shown, the outcome, with Stalin's emergence as the dominant leader in 1928-29, was the turmoil of forced industrialisation and collectivisation within the framework of full-scale central economic planning and large-scale coercion.^[8]

Conclusion

In certain key respects the Soviet economy of 1925 was little different from the Tsarist economy of 1913. A mixed system of state and private ownership was in place, albeit with the "commanding heights" of the economy now all firmly in state control, and the economy was still under-industrialised in comparison with the leading West European powers and the United States. But World War One had brought, or helped to bring, some profound changes. The strain of the war effort crippled the economy and created the conditions for Lenin and his Bolshevik colleagues to embark on an unprecedented political, economic and social experiment. But that change brought civil war, profound economic crisis, long-term international isolation and the impoverishment of the society. War Communism proved unworkable in those circumstances as a vehicle for industrial modernisation, and the Bolsheviks had to focus on gradual recovery with political compromises that were dangerous yet unavoidable. Not until 1928 would they be ready to renew their socialist offensive, now under Stalin's ruthless leadership.

The history of the economy during the early Soviet era is varied and dramatic. It is a story of deep crisis and gradual recovery, of grand dreams and grim realities, of extremist ideology and controversial pragmatism. In many respects that story is well known and well understood. Yet there is still a real need for more research to test traditional assumptions. How serious was the damage and destruction? What happened with economic activity in territories outside Bolshevik control? Can we be more precise about the extent of the collapse of 1917-21? How did the Bolsheviks seek to rebuild the economy? And if further research were to show that the damage and destruction were much less than has been assumed, would we need to consider whether we have given the regime too much credit for completing the recovery by 1925?

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Notes

1. ↑ Orlov, I. B.: Vosstanovlenie promyshlennosti [The Restoration of Industry], in: Iakovlev, A.N. et al (eds.): Rossiia Nepovskaia [NEP Russia], Moscow 2002, p. 121.
2. ↑ Razrukha khoziaistvennaia [Destruction to the Economy], in: Khromov, S.S. et al (eds.): Grazhdanskaia voina i voennaia interventsia v SSSR. Entsiklopediia [The Civil War and Military Intervention in the USSR: An Encyclopedia], Moscow 1987, p. 500.
3. ↑ Nove, Alec: An Economic History of the USSR, Harmondsworth 1982, p. 47.
4. ↑ Hutchings, Raymond: Soviet Economic Development, Oxford 1982, pp. 33f.
5. ↑ Coopersmith, Jonathan: The Electrification of Russia, 1880-1926, Ithaca 1992, pp. 130-38.
6. ↑ Heywood, Anthony J.: War Destruction and Remedial Work in the Early Soviet Economy. Myth and Reality on the Railroads, in: The Russian Review 64 /3 (2005), pp. 456-79.
7. ↑ Heywood, Anthony J.: Modernising Lenin's Russia. Economic Reconstruction, Foreign Trade and the Railways, Cambridge 1999.
8. ↑ Erlich, Alexander: The Soviet Industrialization Debate, 1924-1928, Cambridge MA 1960; Cohen, Stephen F.: Bukharin and the Bolshevik Revolution. A Political Biography, 1888-1938, Oxford 1980.

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