

The New Economic Policy

The **New Economic Policy (NEP)** was an economic policy proposed by Vladimir Lenin, who called it state capitalism. Allowing some private ventures, the NEP allowed small animal businesses or smoke shops, for instance, to reopen for private profit while the state continued to control banks, foreign trade, and large industries.

Rather than repossess all goods produced, the Soviet government took only a small percentage of goods. This left the peasants with a marketable surplus which could be sold privately.

Goals

The state, after starting to use the NEP, moved away from Communist ideals and started the modernizing of the economy, but this time, with a more free-minded way of doing things. The Soviet Union stopped upholding the idea of nationalizing certain parts of industries.

The move towards modernization rested on one main issue, transforming the Soviet Union into a modern industrialized society, but to do so the Soviet Union had to reshape its preexisting structures, namely its agricultural system and the class structure that surrounded it.

The NEP was primarily a new agricultural policy. The Bolsheviks viewed traditional village life as conservative and backward. The old way of village life was reminiscent of the Tsarist Russia that had supposedly been thrown out with the October Revolution. With the NEP, which sought to repudiate the "old ways," methods were put in place which promoted the pursuit by peasants of their self-interests.

Effects

Agricultural production increased greatly. Instead of the government taking all agricultural surpluses with no compensation, the farmers now had the option to sell their surplus yields, and therefore had an incentive to produce more grain. This incentive not only brought agricultural production to pre-Revolution levels but surpassed them.

While the agricultural sector became increasingly reliant on small family farms, the heavy industries, banks and financial institutions remained owned and run by the state. Since the Soviet government did not yet pursue any policy of industrialization, this created an imbalance in the economy where the agricultural sector was growing much faster than heavy industry. To keep their income high, the factories began to sell their products at higher prices. Due to the rising cost of manufactured goods, peasants had to produce much more wheat to purchase these consumer goods.

The NEP succeeded in creating an economic recovery after the devastating effects of the First World War, the Russian Revolution and the Russian civil war. By 1925, in the wake of Lenin's NEP, a "...major transformation was occurring politically, economically, culturally and spiritually. Small-scale and light industries were largely in the hands of private entrepreneurs or cooperatives. By 1928, agricultural and industrial production had been restored to the 1913 (pre-World War I) level. However, unemployment skyrocketed under the NEP and a wider gap was created between classes.

Name: _____ Date: _____ P. _____

The New Economic Policy Questions

1. What was the New Economic Policy and who proposed it? What did he call it?
2. What was run by the state, and what was run by individuals?
3. What were the Soviet government's goals at this point? Were they simply trying to have a purely Communist state or did they have other goals as well?
4. How did the Bolsheviks view traditional village life?
5. What happened to agricultural production under the NEP?
6. What was happening with industrialization at this time?
7. In what ways was the NEP successful? In what ways was it not successful?