“Socialism in One Country” and the Soviet economic debates of the 1920s

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Nick Beams, national secretary of the Socialist Equality Party (Australia) and a member of the International Editorial Board of the WSWS, delivered two lectures at a summer school of the SEP in Ann Arbor Michigan in August 2007. The lectures deal with some of the crucial conflicts over economic policy in the Soviet Union during the 1920s. One of the motivations for the lectures was to answer the distortions advanced by the British academic Geoffrey Swain in his book Trotsky *published in 2006. Further material can be found in* Leon Trotsky & the Post-Soviet School of Historical Falsification *by David North.*

It would be a mistake to believe that the issues that arose in the so-called economic debates in the Soviet Union, culminating in the conflict over Socialism in One Country, were restricted merely to economic matters. In fact, the issues of economic perspective encompassed all the most fundamental issues: the assessment of international perspectives and the prospects for the socialist revolution; the relations between the working class and the peasantry in the Soviet Union; plan versus market in the construction of a socialist economy; the relations between different sections of industry; and last, but by no means least, the relationship of economic development to the cultural advancement of the working class and the impact of these processes on the party regime.

The struggle between the different tendencies was shaped at every stage by the international context within which it unfolded. Likewise, the positions adopted by the different tendencies had vast implications for the development of the international socialist movement.

The first point to make in reviewing this history is that none of the participants entered the struggle over the economic development of the Soviet Union with a worked-out plan. In fact, there could not have been such a plan because no one conceived of a discussion of economic perspectives in an isolated workers’ state surrounded by hostile capitalist powers. No one believed that the revolution could survive for any extended period of time outside a victory of the working class in at least one or more of the major European countries, let alone did anyone consider the construction of socialism in Russia alone.

In the struggle against the Trotsky and the Left Opposition, one of the constant refrains of Stalin and his supporters was that if it was not possible to build socialism in one country, then why was the revolution undertaken in the first place? To deny the possibility of building socialism in the Soviet Union, irrespective of whether or not the working class came to power in the advanced capitalist countries, was to undermine the historical legitimacy of the Russian Revolution, they claimed.

The argument was completely specious. The historical legitimacy of the Russian Revolution derived not from the possibility of creating an isolated socialist Russia but from the fact that it was the opening shot of the world socialist revolution. The contradictions of the world capitalist system—which had violently exploded in World War 1, threatening civilization with a relapse into barbarism—had unfolded in such a way that the possibility of a detachment of the working class coming to power had first presented itself, and been seized, not in one of the advanced capitalist countries but in a backward one, Russia. Throughout the period leading to the insurrection Lenin insisted that the working class had a responsibility to take power, not because it could establish socialism in a single country, but in order to open the way for the conquest of power by the European and international proletariat.

The parties of the Second International had betrayed the working class and the cause of socialism when they lined up to support their “own” ruling class in the war. It was necessary not only to use the weapon of criticism in denouncing this betrayal and expose the Second International, but to pass over to the criticism of weapons in the actual seizure of power.

The German revolutionist Rosa Luxemburg, by no means uncritical of the some of the policy decisions of the Bolsheviks, was in no doubt about the enduring significance of the revolution. It lay in the fact that “the Bolsheviks have based their policy entirely upon the world proletarian revolution.” Lenin and Trotsky, she concluded, were the first “who went ahead as an example to the proletariat of the world; they are still the only ones up to now who can cry with Hutten: ‘I have dared!’ This is the essential and enduring in Bolshevik policy. In this sense theirs is the immortal historical service of having marched at the head of the international proletariat with the conquest of political power and the practical placing of the problem of the realization of socialism, and of having advanced mightily the settlement of the score between capital and labor in the entire world. In Russia, the problem could only be posed. It could not be solved in Russia. And in this sense, the future everywhere belongs to ‘Bolshevism.’”

Ninety years on, that assessment has lost none of its relevance. I make these points at the outset because we sometimes hear the position advanced that, given all that followed, and the enormous problems created by the isolation of the first workers’ state, it might have been better had the revolution not taken place.

Our movement has a completely different perspective. The socialist revolution in the coming period will have a very different form from the Russian Revolution. But it will be led and organized by those who have assimilated all the lessons of the first attempt by the international working class to conquer power and establish socialism.

The initial measures taken by the Bolsheviks upon the conquest of power did not represent major steps towards the socialization of the economy. The first major economic decree was the nationalization of the land. Here the revolutionary government took over the program of the peasant party, the Socialist Revolutionary Party. Land was nationalized but the peasants had the right to its use. In essence, the decree did little more than give sanction to the outcome of the peasant war against the landlords that had formed such a decisive component of the revolutionary upsurge.

From the standpoint of the development of the socialist program in the sphere of agriculture, a program that is based on the large-scale

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development of industrial methods of production, thereby ending what Marx termed the idiocy of rural life, the land policy was a step back. Some of the larger estates were reduced in size, as land was allocated to poorer peasants, and the average size of landholdings decreased while the number of peasant households with land increased as poor and landless peasants gained from the redistribution. There was no overall policy, or set decision on the size of holdings. Each village made its own arrangements and there were wide variations both within and between regions.

So far as industry was concerned, one of the first major decrees, issued on November 21, 1917, concerned "workers' control." It gave the factory committees, which had already acquired certain powers under the Provisional Government, additional authority. They could actively intervene in all aspects of production and distribution, and had the right to supervise production, had the right to obtain data on costs and to lay down indicators for output. The owners had to make available all accounts and documents. Commercial secrecy was abolished. [1]

The Bolsheviks did not enter the revolution with any kind of plan to nationalize all industry, or even the key sectors, apart from the banks and transport. In an article published on the eve of the revolution entitled "Can the Bolsheviks Retain State Power?" Lenin made clear that the crucial question was to establish political power. Economic policy was subordinated to that objective.

"The important thing," he wrote, "will not be even the confiscation of the capitalists' property, but country-wide, all-embracing workers' control over the capitalists and their possible supporters. Confiscation alone leads nowhere, as it does not contain the element of organization, of accounting for proper distribution. Instead of confiscation, we could easily impose a fair tax ..." [2]

The revolutionary government established the Supreme Council of National Economy on December 15, 1917 and defined its task as the organization of national economy and state finance working in collaboration with local authorities as well as the factory, trade union and working class organizations. While nationalization was beginning, it was not a central priority. Often such nationalizations as did take place were carried out on the initiative of local organizations. Indeed, in January 1918 and again in April the Supreme Council declared that no nationalization should take place without its specific authority, adding on the second occasion that any enterprises nationalized without its authority would not receive finance.

In June 1918 the situation changed dramatically. There was now a sweeping expropriation of capital. This transformation was not brought about by a change in doctrine, but in the external situation. The launching of the civil war, fueled in large measure by the decision of the imperialist powers to intervene and secure the overthrow of the Bolshevik government, meant that the bourgeoisie and owners of capital who might, under different circumstances, have been prepared to submit to workers' control were not prepared to do so. From the first day after the conquest of power, the American cabinet was discussing the situation in Russia and how it might intervene. In Britain, Churchill spoke of the necessity to strangle the Bolshevik baby in its cradle. The French, the biggest creditors of the tsarist regime, were determined to reverse the situation, while the German bourgeoisie and military high command were laying down their demands for the appropriation of large areas of Russia and its resources as the condition for peace.

This led to a situation inside Russia where the bourgeoisie refused to accept the loss of power ... it was a temporary setback that would soon be overcome with the assistance of outside friends and allies. This was the political impetus for the program of nationalization.

As Trotsky explained in 1920:

"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 not 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." [3]

Two years later, in his report to the Fourth Congress of the Communist International held in November 1922, Trotsky elaborated further on the reasons for the nationalization of industry. In a civil war, he explained, decisions had to be taken which from the standpoint of economic development were completely irrational but which were politically necessary—such as the blowing up of bridges.

It would be perfectly in order for a workers' state to carry out the expropriation of the bourgeoisie provided it was able to organize the development of the economy on new foundations. However that was not the situation in Russia in 1917-18. The organizational capacities of the workers' state lagged far behind the tasks posed by total nationalization. But the Civil War made nationalization a necessity. That is, measures that were irrational from an economic point of view were politically necessary.

And the key factor giving rise to this economic irrationality was the contradictory character of the revolution itself. The working class had first come to power, not in Western Europe but in Russia. Had the socialist revolution taken place in the wake of a victory in Europe, then developments would have assumed a very different form. The Russian bourgeoisie would not have dared raise so much as a little finger against the revolution and it would have been possible to carry out the reorganization of industry in relative tranquility.

However, the situation facing the Bolsheviks was very different. Under conditions where capital remained dominant in the rest of the world, the Russian bourgeoisie refused to take the revolution seriously.

"The initial decrees of the revolutionary power were greeted with scornful laughter; they were flouted; they remained unfulfilled. Even the newspapermen—as cowardly a set as you can find—even they refused to take seriously the basic revolutionary measures of the workers' government. It seemed to the bourgeoisie as if it was just a tragic joke, a misunderstanding. How else was it possible to teach our bourgeoisie and its flunkies to respect the new power, except by confiscating its property? There was no other way. Every factory, every bank, every little office, every little shop, every lawyer's waiting room became a fortress against us. ... It was necessary to smash the enemy, to deprive it of its sources of nourishment, independently of whether or not organized economic activity could keep up with this." [4]

The expropriations undertaken in 1918 were from the economic standpoint "irrational." But that only serves to demonstrate the fact that the world is not governed by economic rationality—if it were the bourgeoisie would have been long gone—but that socialist revolution is necessary in order that reason can be introduced into the regulation of economic and social life.

The compelling economic task that confronted the revolutionary government in 1918 was the provision of economic resources for the Red Army now engaged in a life and death civil war, both against the old ruling classes of Russia and the imperialist bourgeoisie of the United States and Europe ... and even from interventionist forces from as far away as Australia. This was the basis of the policy that has gone down in history under the name of War Communism.

The central foundation of War Communism was the requisitioning of grain surpluses from the peasants to supply the Red Army and feed the

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cities. Industrial policy involved exchanges between state enterprises increasingly without the use of money, which became steadily worthless. According to a resolution of the second All-Russian Congress of Economic Councils, state enterprises were to deliver their products to other state enterprises without payments and the railways and merchant fleet should transport gratis the products of all state enterprises. The aim of this proposal, the resolution stated, was to "see the final elimination of any influence of money upon the relations of economic units." [5]

Money lost its function within the state sector of the economy and played virtually no role at all. So devalued was the currency that the economic historian of Soviet Russia, Alec Nove, recalls as a child handing a note of considerable face value to a beggar only to be told that it was worthless. As money lost all value, private trade was declared illegal and nationalization was extended to practically all enterprises, there was a belief that a socialist economy was being established. Of course insofar as "communism," based on equality, was being established, it was a communism of poverty. Yet the measures of War Communism were seen as a stepping stone to a socialist system.

Viewed from the standpoint of impoverished Russia, such conceptions were completely irrational. How then could they arise? The answer lies in the fact that they were developed on the basis of the perspective that had animated the revolution in the first place—that the taking of power in Russia was but the immediate prelude to the European socialist revolution.

As Trotsky later explained, while War Communism had been imposed on the workers' state there was a certain expectation that it could lead to socialism without any major economic turns. This was based on the belief that the revolutionary development in Western Europe would come more rapidly than it did.

"If the European proletariat had conquered power in 1919, it could have taken our backward country in tow—backward in the economic and cultural sense—could have come to our aid technically and organizationally and thus enabled us, by correcting and modifying our methods of War Communism, to move straight toward a genuine socialist economy. Yes, admittedly, such were our hopes. We have never based our policy on the minimizing of revolutionary possibilities and perspectives. On the contrary, as a living revolutionary force we have always striven to expand these possibilities and exhaust each one to the very end." [6]

While entertaining the prospect that the European revolution could unfold quite rapidly, Trotsky, at the same time, held out no hope for any assistance from the West to overcome the economic burdens afflicting the workers' state, either in the form of concessions—the establishment of foreign-owned investment projects in Soviet Russia—or loans. After all, as leader of the Red Army, Trotsky was engaged in the day-to-day struggle to throw back the imperialist-backed counterrevolution.

Consideration of these issues helps to expose the outright falsifications of Geoffrey Swain and the unclarities in the analysis by the historian Richard Day upon which Swain seeks to base himself.

On the first page of his book Swain writes: "Richard Day, writing more than 30 years ago, argued convincingly that Trotsky, far from being an internationalist, firmly believed in the possibility of socialism in one country." [7]

In the first place, this is a complete falsification of what Day actually wrote. "The operative question for Trotsky," he wrote, "was not whether Russia could build socialism in advance of the international revolution, but how to devise an optimal planning strategy, taking into account both the existing and future international division of labour." [8]

According to Day, in the period of War Communism two tendencies, one "isolationist" the other "integrationist," emerged within the Bolshevik Party. The isolationists tended to look upon Soviet Russia as an exile from the world economy while the integrationists maintained that Russia had to resume her position in international affairs. If Trotsky's position had been consistent with the normal interpretation placed on the perspective of permanent revolution, he continued, then Trotsky would have fallen into the integrationist category.

"For want of a better alternative he would have subscribed to the widely held view that every possible device must be employed to solicit economic aid from abroad, including both a restoration of international trade and even foreign investments from capitalist Europe. But the evidence shows he in fact emerged as the central theorist of economic isolation." [9]

But, contrary to Day, there was nothing inconsistent in Trotsky's position. He insisted that no reliance could be placed on economic assistance from the West and that, because of the weakened economic position of Soviet Russia, the imperialist powers would seek to use any economic concessions as a means of undermining the workers' state, just as they were seeking to do by military means.

In early 1920, when the Allied economic blockade on Russia was lifted, Lenin entertained hopes that economic aid would be forthcoming. Trotsky held a different viewpoint. In February 1920 he noted that if economic connections with Europe were restored under conditions of economic recovery this could be beneficial for socialist construction. But there was also another, and more likely, possibility:

"Given our further economic deterioration, terms will be dictated to us by the world merchants who have commodity supplies at their disposal. In one manner or another they will reduce us to the position of an enslaved colonial country." [10]

As Richard Day noted in a later article on the economic policies of the Left Opposition, Trotsky had been "reluctant to restore contact with Europe until Russia's own recovery was under way, fearing that unfavourable terms would be dictated and that the Bolsheviks would be forced to acknowledge the Tsarist debts in exchange for 'a pound of tea and a tin of condensed milk.'" [11]

Trotsky's belief was borne out, that concessions and loans would be extremely limited and attached with conditions aimed at undermining the workers' state. At the Genoa conference of April 1922, called by Lloyd George to attempt an economic reorganization of Europe under British tutelage, the demands of the imperialist powers for denationalization and the payment of the tsarist debts were so severe that even before the conference began Lenin insisted that it was time to call a halt.

Notwithstanding the hopes of the Bolsheviks about the prospects for a speedy development of the socialist revolution in Western Europe, the program of War Communism was doomed to failure. The basic problem was that while the program of grain requisitioning could, at least for a time, secure supplies to the Red Army, it could not ensure the supply of agricultural products to the city without which industrialization could not proceed. The peasants had come to the side of the Bolsheviks in the course of the civil war understanding through bitter experience that only they could prevent the return of the landlords. But support for the economic policies of the new regime was another question. The attitude of the peasants was summed up in the phrase that, while they supported the Bolsheviks, they opposed the Communists.

By the end of 1919 it was clear that, while the existing policy could continue for a period, in the long run society faced a breakdown unless there were a radical reorientation.

The first move in this direction came from Trotsky at the beginning of 1920. Drawing on observations he made while stationed in the Urals, he advanced a proposal to end the program of grain requisitioning and replace it with a tax in kind. Under this proposal, the peasant, while having to supply grain to the state, would be able to improve his individual lot. In February 1920 he submitted his proposal to the Central Committee.

"The present policy of equalized requisition according to the food scale, of mutual responsibility for deliveries, and of equalized distribution of manufactured products, tends to lower the status of agriculture and to

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disperse the industrial proletariat, and threatens to bring about a complete breakdown in the economic life of the country," he wrote.

"The food resources are threatened with exhaustion, a contingency that no amount of improvement in the methods of requisition can prevent. These tendencies towards economic decline can be counteracted as follows: (1) The requisitioning of surpluses should give way to a payment on a percentage basis (a sort of progressive tax in kind), the scale of payment being fixed in such a way as make an increase of the ploughed area, or a more thorough cultivation, still yield some profit; (2) a closer correspondence should be established between industrial products supplied to the peasants and the quantities of grain they deliver; this applies not only to rural districts (volosts) and villages, but to the individual peasant households, as well." [12]

Lenin, however, opposed the proposal and it was defeated by 11 votes to 4 on the central committee. The ninth congress of the party was held in March 1920. Trotsky did not raise the proposal there, but in collaboration with Lenin advanced measures for the more stringent application of the policies of War Communism.

One of the central problems confronting the revolutionary government was the breakdown and collapse of industry. It was necessary to begin the task of physically reassembling the industrial working class in order to revive production. Some workers had fled to the country, others were involved in the black market, others were simply engaged in the search for food. It was in this context that Trotsky developed the concept of the militarization of labour. The revolution had sent hundreds of thousands to die on the battlefield, through methods of compulsion. Why should not such methods be used on the no less important economic front? In fact, if the battle to revive the economy were not won, then all the sacrifices on the military front would have been in vain.

In the early 1920s, as the civil war started to come to a close, Trotsky had begun to deploy military units for tasks of civilian labour. What was the point of demobilizing troops under conditions where there was no industry for them to return to? Far better to deploy them on necessary economic tasks than see them simply dispersed into a chaotic economy.

"If we seriously speak of planned economy," he told the Ninth Congress, "which is to acquire its unity of purpose from the centre, when labour forces are assigned in accordance with the economic plan at the given stage of development, the working masses cannot be wandering all over Russia. They must be thrown here and there, appointed, commanded, just like soldiers.... Without this, under conditions of ruin and hunger, we cannot speak seriously of any industry on new foundations." [13]

Lenin advanced no less stringent measures. He supported the passage of a resolution, moved by Trotsky, which called for compulsory labour and for disciplinary measures "the severity of which must correspond to the tragic character of our economic situation." [14]

He denounced the collegial system in factory management, under which the trade unions had representation in factory management, as "utopian," "impractical" and "injurious." A resolution introduced by him at the congress set out the responsibility of the trade unions to explain to the broadest sections of the working class the necessity to reconstruct the entire industrial administration through the "maximum curtailment of administrative collegia and the gradual introduction of individual management in units directly engaged in production." [15]

In the middle of 1920, the government faced a crisis which, had it not been overcome, could well have led to the collapse of the workers' state. Engineers had forecast a date, only a few months ahead, when not a single railway in Russia would be working. The system was rapidly grinding to a halt. Trotsky was called upon to intervene, despite his protestation that he knew nothing about running the railways.

Through what became a famous order, Number 1042, Trotsky placed the railways and the railway men under martial law and secured the rehabilitation of the railways ahead of schedule. This experience led to his proposal for a "shake-up" of the trade unions, sparking the so-called trade union controversy at the end of 1920.

In view of the later controversies about Trotsky's call for the "militarization of labour," it is necessary to point out that his proposals were grounded upon the program of War Communism. He later explained the logic of this program as follows:

"In the system of War Communism in which all the resources are, at least in principle, nationalized and distributed by government order I saw no independent role for trade unions. If industry rests on the state's ensuring the supply of all the necessary products to the workers, the trade unions must be included in the system of the state's administration of industry and distribution of its products. This was the real substance of making the trade unions part of the state organizations, a measure which flowed inexorably from the system of war communism, and it was in this sense that I defended it." [16]

The conclusion of the civil war at the end of 1920 saw the Russian economy in a disastrous state after seven years of war, revolution, counterrevolution, civil war and imperialist military intervention. National income was less than one third the level of 1913. Industry produced less than a fifth of its pre-war output, coal mines one tenth, iron foundries one fortieth. The industrial workforce, which had numbered about 3 million before the war, was down to half that figure, and many of them were not productively employed. The railways, notwithstanding the success of Trotsky's emergency measures, were in a shambles. Moscow had only one half of its pre-war population and Petrograd only one-third. The situation was so desperate that cannibalism had made its appearance in parts of the country.

These were the economic conditions that led to a series of peasant revolts at the end of the civil war culminating in the Kronstadt rebellion in February 1921 during the 10th congress of the Communist Party.

The proposal which Trotsky had first advanced a year before, that grain requisitioning be replaced by a tax in kind, was now put forward in the form of the NEP. At first the measures were limited ... Lenin even envisaged that exchange may take place on a kind of barter basis. But once the system of trading was established, it rapidly developed according to its own inexorable logic. In October 1921 Lenin declared that the retreat had not gone far enough and that a further retreat was necessary. The money system had to be brought back. "Nothing came of commodity exchange [in kind]; the private market proved too strong for us; and instead of exchange of commodities we got ordinary buying and selling, trade." [17]

The shift to the NEP was conditioned both by conditions in Russia and a change in the international situation. It was clear by the beginning of 1921 that the immediate revolutionary crisis of the postwar years had passed—the betrayals of the social democracy had ensured that the bourgeoisie remained in the saddle. As Trotsky drew out at the Third Congress, against the "lefts" both in the German and Russian parties, while capitalism had not been able to establish a new equilibrium, such as had existed in the pre-war period, it had achieved a certain stabilization. Against the "left" theory of the continuous offensive it was necessary to prepare for a more protracted development in which the task of the party was not the immediate struggle for power, but the development of tactics to win the masses away from social democracy towards and into its ranks. Accordingly, the NEP in Russia was a manoeuvre, an adaptation to this new situation.

While the switch to the NEP was adopted without opposition, conflicting attitudes towards it were to arise almost from the outset. There were those for whom the NEP was a retreat—necessary but a retreat nonetheless. For these forces, of which Trotsky was one, the introduction of the NEP and the turn to the market did not do away with the issues of planning that had arisen in the period of War Communism.

As early as May 1921, just two months after the adoption of the NEP,

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Trotsky wrote to Lenin on the importance of a balanced economic reconstruction. “Unfortunately, our work continues to be carried out planlessly and without any understanding of the need for a plan. The State Planning Commission represents a more or less planned negation of the necessity to work out a practical and business-like economic plan for the immediate future.” [18]

There was no response from the Politburo where Lenin opposed Trotsky’s conception. He was not against long-term planning as such but regarded it as premature and therefore something of a “bureaucratic utopia” in a country of 20 million scattered farms, disintegrated industry and primitive forms of private trade.

At the same time, another current rapidly made its appearance. Insisting that the entire policy of War Communism was wrong, it was therefore somewhat misleading to characterize the NEP as a retreat. It was the policy which would have been adopted but for the civil war.

In the wake of the experiences of War Communism there was a backlash against measures of government intervention, let alone planning, and policies that could be seen as adversely affecting the peasantry. Everything had to be done to maintain the smychka—the bond or alliance between the working class and the peasantry without which the workers’ state would be placed in grave danger.

These tendencies, which insisted that the failure of War Communism had shown that it was necessary to develop the methods of the market, found spokesmen in Sokolnikov, the head the Finance Commission, and Rykov, the chairman of the economic council.

In discussing these issues it is necessary to emphasise at the outset that the complexities of the situation meant that there were no easy, cut and dried answers. The answer to the myriad problems that beset the revolutionary government was not to be found in the adoption of the appropriate slogan, but only through a deep-going analysis of the situation.

(This point should be kept in mind when we come to discuss the issue of “Socialism in One Country” and seek to discover why it was that Trotsky did not immediately link up with Zinoviev and Kamenev once they came into conflict with Stalin over this question in 1925.)

Consider for a moment the question of grain supplies. In order for industry to expand it was essential that the supply of grain to the towns be increased. But an increase in the supply of grains would come from the development of larger, more efficient peasant farms. These farms would acquire more land, larger stocks, and hire more labour. And the policy of the NEP and its reliance on the market encouraged such a process. But in doing so it was inevitably giving rise to a class differentiation in the countryside. The operation of the market to bring about an increased supply of grain, so necessary for the development of industry in the cities, would also see the emergence of richer peasants, kulaks, and the danger of political opposition to the workers’ state.

All tendencies in the party agreed, at least in principle, on the need for industrialization. But the issue was how was it to be undertaken. The economic reasoning of the right wing was that it should arise from the growth of peasant demand, which would finance the expansion of industry. It followed that in order to stimulate peasant production, and above all sales to the market, there had to be a stable currency. If value of the currency were eroded through inflation, the peasant would tend to hoard his surplus or use it for other purposes, such as the making of alcohol, the provision of loans to other peasants or to feed livestock. But a stable currency meant that state subsidies and credits to unprofitable sections of industry had to cease as they were among the chief causes for inflation and the erosion of currency values. Tight credit, argued Sokolnikov, was necessary to ensure currency stabilization. Industry had to be made to pay its own way.

These positions came into conflict with the views of Trotsky who, among others, such as Preobrazhensky, insisted on the need to begin the planned development of industry with the provision of state credit.

The right-wing pro-market agenda continue to unfold throughout 1922 culminating in a proposal to do away with the monopoly of foreign trade. Currency stabilization required a favourable balance of trade and if price advantages pointed to the importation of consumer goods, then this should be undertaken. Sokolnikov, with the support of Bukharin and Stalin, secured the passage of a resolution on the Central Committee against the foreign trade monopoly.

The decision of the Central Committee, taken in the absence of both Lenin and Trotsky, did not go so far as to admit private business into foreign trade, but it did loosen central control over Soviet trade agencies and opened the door for the abandonment of the policy which Trotsky had called “socialist protectionism.”

Lenin objected to the plan upon hearing of it and called on Trotsky to defend their common view about the need to preserve and reinforce the monopoly of foreign trade. Trotsky agreed with Lenin, but pointed out that the move against the foreign trade monopoly was a consequence of the tendency to submit to the forces of the market. It was precisely in order to counter the pressure of the market that planning under the direction of Gosplan had to be undertaken. He and Lenin reached agreement that if they were not able to reverse the Central Committee decision they would publicly oppose it.

In the event, that was not necessary as Trotsky secured the reversal of the decision when it came up for review in the second half of December.

The move against the trade monopoly and its implications for the policies of the government appear to have had a major impact on Lenin’s outlook. On December 27, 1922 he wrote to the Politburo proposing a significant shift on the question of planning and Gosplan.

Set up in the last days of War Communism, Gosplan had largely been pushed aside during the initiation and expansion of the NEP. Its responsibilities did not extend to economic planning on a broad scale but were confined to giving advice on administrative matters to the various industries.

Lenin’s letter to the Politburo proposed a definite shift, and signaled his withdrawal of support for those in the party leadership who had opposed Trotsky on the need to expand Gosplan’s role.

“Comrade Trotsky, it seems, advanced this idea [about Gosplan’s prerogatives] long ago,” he wrote. “I opposed it ... but having attentively reconsidered it I find that there is an essential and sound idea here: Gosplan does stand somewhat apart from our legislative institutions ... although it possesses the best possible data for a correct judgment of [economic] matters. ... In this, I think one could and should go some of the way to meet Comrade Trotsky...” [19]

By the beginning of 1923 the first signs of a crisis in the NEP were clearly apparent. While the 1922 harvest had been a good one, problems were developing in the economy as a whole. The most obvious symptom of the imbalances was the growing divergence between agricultural and industrial prices. NEP had not assisted the growth of industry in the cities on which the advance of any economy depended. Rather, it had tended to stimulate primitive and backward local industries. Heavy industry had recorded no significant improvement.

According to the account by the historian E.H. Carr, the situation in trade and distribution was “no less disquieting.” “In the first place, NEP had brought into the open the mass of private traders who had eked out an illegal existence in the penumbra of war communism, and encouraged the appearance of many more, so that the great bulk of retail trade was now conducted by private traders, greater and lesser nepmen, whose energy and resourcefulness, in conditions of free competition, drove the state trading institutions and cooperatives from a large part of the field. Figures compiled in early 1924 showed that 83.4 percent of retail trade was in private hands, leaving 10 percent to the cooperatives and only 6.6 percent to the state organs and institutions.” [20]

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Even though his advocacy of consistent planning and the development of industry had won support from Lenin, Trotsky's proposals met with intensified opposition from inside the Politburo, which, with his lone opposition, refused to publish Lenin's article in increasing the powers of Gosplan. However the Politburo majority could not, at this stage, come out openly against Trotsky and so agreed that he should give the report on industry at the upcoming 12th congress of the Communist Party.

The Theses on Industry that he prepared for the congress emphasized the political importance of industrialization in the creation of an unshakeable foundation for the workers' state. There had to be a correct relationship between the market and planning which ensured that the dangers of War Communism were averted while at the same instituting control over the market where necessary. State activity as a whole had to "place its primary concern on the planned development of state industry." In his report, Trotsky called for a "more harmonious, more concentrated economic offensive." [21]

The function of planning, he insisted, was ultimately to overcome the NEP, which had been established for a long time, but not forever.

"In the final analysis we will spread the planning principle to the entire market, thus swallowing it and eliminating it. In other words, our successes on the basis of the New Economic Policy automatically move towards its liquidation, to its replacement by a newer economic policy, which will be a socialist policy." [22]

The resolution of the 12th congress was, on paper, a victory for Trotsky. But the program he advanced, including the increased involvement of Gosplan, remained, by and large, a dead letter.

The phenomenon of the scissors crisis—the divergent movement between the agricultural and industrial prices—attracted considerable attention. In March of 1923, Trotsky noted, industrial prices stood at 140 percent of their 1913 level while agricultural prices were below 80 percent ... and the divergence was widening.

But very different conclusions were being drawn about the policies that should be employed to overcome the crisis.

The advocates of industrialization, Preobrazhensky in particular, undertook a comprehensive analysis of the crisis. It was bound up with vast changes in the situation facing peasant agriculture brought about by the revolution. Prior to the revolution the peasantry had been forced to supply a considerable amount of grain in payments to the tsarist regime and the nobility for which there was no return. Now the peasants had a larger surplus to dispose of. To the extent that there was an insufficient output from industry to meet this additional demand, prices would tend to rise. The closing of the scissors therefore involved the development of industry and an increase in its efficiency in order to increase the supply of industrial goods that the peasant needed to purchase. Only in this way could the flow of goods to the city be maintained through market mechanisms and without resort to the methods of compulsion that had formed the basis of War Communism.

However, as the crisis became more severe, the right-wing defence of the market became more strident. The way to bring down prices, it argued, was to restrict the supply of credit to state industry, forcing it to lower prices and increase cash flow through the sale of stocks.

The situation rapidly worsened and came to a head in the late summer as the disparity between industrial and agricultural prices widened week by week. By October retail prices of industrial goods stood at 187 percent of their pre-war level and agricultural prices at 58 percent. The problem, however, was not lack of production. The harvest had been good and consumer goods were being produced. The mechanism to establish terms of trade that ensured the flow of goods from the country to the city and vice versa had broken down.

As E.H. Carr notes: "What NEP had created was not the much vaunted 'link' or 'alliance' between the proletariat and the peasantry, but an arena in which these two main elements of the Soviet economy struggled against one another in competitive market conditions, the battle swaying sharply first to one side, then to the other ..." [23]

The position of the majority was that everything must be done to take pressure off the peasantry and that pressure must be applied to industry to reduce prices. Strikes of workers took place in August and September and the credits to industry were cut in order to try to force down prices.

On October 8, 1923 Trotsky initiated a battle against the majority of the Central Committee in a letter on the mounting economic and political crisis. Acutely aware that his actions would be interpreted as a challenge for the leadership of the party as Lenin lay incapacitated, he made clear that his views would only be made known to a "very narrow circle of comrades."

The re-emergence of fractional groups within the party, he stated, was a result of two causes: the incorrect and unhealthy regime within the party and the dissatisfaction of the workers and peasants with the economic situation that had been brought about not only by objective economic difficulties but also by "flagrant radical errors of economic policy."

The resolution of the 12th congress on Gosplan and the planning principle had been pushed into the background and decisions about economic issues were increasingly being taken by the Politburo "without preliminary preparation, out of their planned sequence." Nationalized industry had not been developed according to a plan but had been sacrificed to the financial policy.

There was no mechanism within the present set of policies for a rational resolution of the crisis. "The very creation of a committee to lower prices," he wrote, "is an eloquent and devastating indication of the way in which a policy which ignores the significance of planned and manipulative regulation is driven by the force of its own inevitable consequences into attempts to command prices in the style of war communism," Trotsky wrote. [24]

The Politburo leadership ignored the warnings about the direction of policy and insisted that Trotsky was motivated by the drive for personal power.

According to the Politburo majority: "We consider it necessary to say frankly to the party that at the basis of all the dissatisfaction of Comrade Trotsky, all his attacks against the Central Committee which have continued already for several years, his determination to disturb the party, lies the circumstance that Trotsky wants the Central Committee to place him ... at the head of our industrial life..." [25]

In his reply, in which he detailed the past history of his disputes with the majority, Trotsky again insisted that "one of the most important causes of our economic crisis is the absence of correct uniform regulation from above." [26]

The Declaration of the 46, which was issued immediately following Trotsky's letter, made the same criticisms on economic policy.

"The casualness, thoughtlessness, lack of system in the decisions of the Central Committee, not making ends meet in the area of the economy, has led to this, that with undoubted large successes in the area of industry, agriculture, finance, and transport, successes achieved by the country's economy essentially not thanks to, but in spite of the unsatisfactory leadership, or rather in the absence of any leadership—we face the prospect not only of the cessation of this success, but of a serious general economic crisis." [27]

While the party leadership made certain concessions to the Left Opposition these were of a purely verbal character. The opposition was condemned at the 13th party conference in January 1924 and defeated at the 13th party congress held in May of that year. In October Trotsky published his *Lessons of October*, which saw a ferocious campaign against him, as part of which Stalin, for the first time, unveiled the theory of socialism in one country. As a result, Trotsky was forced to resign as commissar of war. In May of 1925, following his recovery from illness, he

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took up work in the Concessions Committee where he turned more deeply into the issues confronting the Soviet economy and its relations with the world market.

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7. Geoffrey Swain, *Trotsky*, Longman, 2006, p. 1.
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16. Trotsky, *My Life*, pp. 482-83.
17. Day, "Trotsky and Preobrazhensky," p. 65.
18. Deutscher, *Trotsky*, vol. 2, p. 42.
19. Deutscher, *Trotsky*, vol. 2, p. 68.
20. E.H. Carr, *The History of Soviet Russia*, vol. 4, Penguin, 1969, p. 11.
21. Daniels, pp. 202-203.
22. Day, p. 82.
23. Carr, p. 87.
24. Carr, pp. 105-106.
25. Daniels, p. 217.
26. Carr, p. 106.
27. Daniels, p. 218.

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