

Eight years after capitalist reforms--a social crisis in Russia "without parallel"

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2 February 1999

The crisis in August of last year pulled the rug out from under the last illusions and hopes that capitalist reforms in Russia would at some point lead to a revitalisation of the economy and living standards. The social situation there has in the meantime worsened dramatically.

The debt pyramid with which the Yeltsin government desperately sought to finance its balancing act--between the interests of the ordinary population, the financial oligarchy (i.e., the new rich in Russia who control most of finance capital) and international capital--burst like a bubble on August 17. Inside a few days the rouble lost two-thirds of its value and in a short space of time billions of dollars of international capital fled out of the country.

Previously, within the framework of the reform policies pursued by the government following the dissolution of the Soviet Union, the Russian economy had shrunk by nearly 50 percent. Living standards for the majority of the population declined considerably. Life expectation for men sunk to 55 years, catapulting Russia to below one hundredth place amongst the nations of the world. Permanent strikes, protest movements and acts of desperation marked the period of "reforms".

The hopes for improvement were directed at the new middle classes, concentrated in Moscow and St. Petersburg, and composed of bank employees, employers, small traders and speculators. They were regarded as the foundation for the new order and pioneers for the entire country. When in 1997, for the first time, the economy grew by 0.5 percent with inflation at under 20 percent, this was seen as evidence of an impending upturn.

The crisis in August swiftly dissipated such hopes. In Moscow alone between 200,000 and 400,000 have

since lost their jobs. Most of them were employed in banks, in trade and countless jobs in the new service industries. Only a small minority can hope to find further employment. Instead most must try and struggle through with all sorts of part-time occupations. Since the beginning of 1998 the number of banks has shrunk from 1,700 to 1,476. A further 700 are threatened with imminent bankruptcy. Travel agencies, private building companies, legal offices and financial advisory services, with close ties to the banks, have also been plunged into the abyss.

Buying power has plummeted along with the devaluation of the rouble. Before the crisis a dollar was worth 6.10 roubles. Now the exchange rate is one dollar to 21 roubles. The prices for imported products have risen astronomically. The percentage of those living under the poverty line has risen sharply from 8 to 30 percent. The average monthly wage of \$120 dropped to \$42; the average pension from \$54 to \$18. This is the case, of course, only for those who actually receive their income and benefits. Teachers in Moscow receive \$30; in the provinces they receive considerably less.

Equally disastrous are the prospects for those areas dependent on the state budget. Whole regions such as Kamchatka, the far east of Russia or parts of Siberia have insufficient food and heating supplies this winter. In numerous villages the heating and electricity supply has collapsed due to the dilapidated state of the facilities, or the complete exhaustion of heating materials.

The crisis in the health service has also further intensified. In the budget for 1999, which includes the deepest-going cuts in the health budget for the last 10 years, 10 percent less is planned for the health sector in comparison to the previous year. The percentage of the annual budget allocated for health--just 2.3 percent--is

by far and away the smallest for any European country. By comparison, in the United States the figure is 14 percent.

Since the end of 1998 the wages owed to medical personnel total over 4 billion roubles (roughly \$180 million), and the backlog of wages goes back six or eight months. Since August more than a dozen clinics in Moscow are refusing to accept new patients older than 65 years, due to a lack of funds.

Following the destruction of a large part of its "inefficient" domestic pharmaceutical industry--carried out by the reformers at the instigation of the big foreign companies who have taken over the distribution system in order to sell their own products--Russia is now 60 percent dependent on medicines from abroad. Since the devaluation, prices for medicines have risen on average fourfold.

The state is no longer able to pay for the expensive imported medicines, including heart medication and insulin. "80 percent of necessary medicines must be paid for in future by the patients themselves," according to health minister Starodubov. But who can afford such payments? In Moscow alone 1.5 million elderly or chronically ill people are dependent on free medical prescriptions.

Those suffering from diabetes must pay an average of \$40 a month for insulin, which in today's roubles is three times more expensive. Russia produces no insulin of its own and has supplies for two months at most. Two hundred million dollars is necessary merely to provide the amount of insulin required by the country for one year.

The deepening impoverishment of the population has led to the rapid spread of socially-based diseases such as drug dependency, alcoholism, AIDS and tuberculosis. The number of those afflicted with tuberculosis has doubled in the last five years and now afflicts 73 out of every 100,000 inhabitants. According to international standards a figure of 50 out of 100,000 is enough to constitute an epidemic. In the prisons and punishment camps every tenth prisoner suffers from the disease.

In 1998 365,000 contracted syphilis and 10,000 were infected with the HIV virus. It is estimated that by the year 2000 nearly 800,000 will be infected by sexually transmitted diseases. In all, 40 percent of the population show signs of a weakening of the immune system.

Every second inhabitant drinks water that does not correspond to international standards. More than 11 million people, or 7 percent of the population, are registered disabled. One out of six of this number is younger than 45 years old.

In the meantime the social crisis has assumed forms unknown since the times of the Second World War. Even one of the most avid advocates of the capitalist reforms, Harvard professor Richard Pipes, concedes that "the situation is unparalleled".

The results of the Asian crisis, and the price fall on world markets for raw materials upon which the Russian economy is so dependent, has made an open confrontation with the broad masses increasingly inevitable. Yegor Yavlinsky, chairman of the Liberal Yabloko party, made clear a short time ago how liberal economic reforms would look today: drastic reductions of taxes for employers, reduction of the state budget to a minimum and the closure of all the remaining "inefficient" factories. Such measures cannot possibly be realised under the label of "democracy".

In this situation nationalist and chauvinist forces are raising their heads. Both the Communist Party as well as Yuri Lushkov, mayor of Moscow and founder of the "Fatherland" party, are playing the national card. Anti-American and anti-Semitic slogans have for some time been the incidental music for such a campaign. In so doing these forces are, in parallel manner to the nationalist campaign of Lukashenko in White Russia, attempting to defend the interests of the domestic bourgeoisie, which has itself been affected by the crisis.



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