

# Russia: Putin lays siege to social benefits

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This summer, the Russian Duma and the Federation Council, the lower and upper houses of parliament, passed an array of measures that effectively liquidate the social benefits of 40 million Russian citizens. The elimination of these entitlements, which were established during the Soviet period, marks the latest stage in the destruction of the living standards of the Russian masses, who have experienced a historically unprecedented social retrogression since the breakup of the USSR and introduction of capitalist market relations in 1991.

The measures, which were proposed by President Vladimir Putin immediately after his reelection in March and signed into law by him on August 31, transform the benefits received by pensioners, war veterans, the disabled, victims of Soviet-era political repression, survivors of the World War II siege of Leningrad, and Chernobyl cleanup workers—approximately 27 percent of the population—into monetary compensation.

In exchange for the previously free use of public transportation, steep discounts on residential utilities, free local telephone service, free medication, free annual treatment at sanatoriums and health resorts, free artificial limbs and wheelchairs for invalids, guaranteed employment for the disabled, and a variety of other services, the beneficiaries will now receive monthly compensation ranging from 300 rubles (\$US10) to 1,550 rubles (\$US51).

In addition, the government has created a so-called “social package,” which beneficiaries have the option of purchasing for 450 rubles (\$US15) a month, and which provides the recipient with free medication, a visit to a sanatorium every 4 years, and free suburban transportation. Thus, many Russians will be forced to pay *more* than they receive from the government for only a portion of the social benefits they once received for free.

Included in the measures passed by the government are cuts in the monthly subsidies for students and people with dependent children, as well as the elimination of a 25 percent premium in wage compensation for rural teachers and doctors.

Not only is the monetary compensation being offered by the government a paltry amount, but inflation will erode its value over time. While the government is promising to index the benefits payments to the rise in prices, the adjustment will only occur in the event that inflation exceeds 6 percent. (This is also currently the case with regard to pensions).

Moreover, the inflation rate will be calculated on the basis of the average increase in all prices across the country. However, the cost of residential utilities, medicine, transportation and communications—those services once covered by social entitlements—rise much more rapidly than the average rate.

The law also stipulates that a portion of the cash benefits being offered will be covered by Russia’s provincial governments, where large numbers of welfare recipients reside. However, the majority of these governments are insolvent, and many more are fiscally unstable.

Because the financial aid that the provinces receive from Moscow already falls far short of their requirements, the regional authorities will likely be unable to fulfill the additional obligations they face as part of the new benefits law.

The government justified these measures by arguing that for “objective reasons” it could not meet the cost of maintaining current social benefits, approximately 2.8 trillion rubles (\$93 billion) a year. It was, Putin said, more “honest” to scrap these “excessive” commitments in favor of more reasonable ones.

The new level of annual funding for social benefits has been set at 170 billion rubles (\$5.6 billion) a year—a more than 16-fold reduction in spending for the benefits. This sum is also lower, by a factor of five-and-a-half, than the federal budget allocation for security and national defense, which is 930 billion rubles (\$31 billion).

The dismantling of the social benefits system left over from the Soviet period is part of a larger process of removing, once and for all, all legal restrictions on the ability of the new Russian elite and multinational corporations to plunder the human and economic resources built up under the USSR. The Putin administration has already made clear its intention to privatize Russia’s residential utilities, abolish the minimum wage, eliminate the general mandatory wage scale, raise the retirement age, and decrease the individual property tax rate from 2 to 0.1 percent.

The “reform” of Russia’s social benefits system and the catastrophic impact it is bound to have are the culmination of the pro-capitalist policies that over the past 15 years have caused an extraordinary decline in all aspects of social life in the country. What are the conditions in Russia almost one-and-a-half decades after the so-called “Democratic Revolution?”

According to official statistics, 25 percent of the population lives below the poverty line. The explosion in the poverty rate initially occurred after the implementation of radical economic reforms in the early 1990s. (Researchers believe the actual poverty rate is about 30 percent, because a change was made in the late 1990s in the way the poverty rate is calculated, artificially lowering the official figure). In the year 2000, 23.8 percent of the population was living on less than \$2 a day.

Life expectancy for women, which was 74.4 years in 1988, fell to 71.1 years by 1994 and now stands at 72.2 years. The situation for men is worse, with life expectancy falling from 64.8 years in 1988 to 57.3 years in 1994—a decline not previously seen except in times of war. The current life expectancy figure for men has only recovered slightly, rising to 59.8 years.

Because the changes in the social benefits laws attack the living standards of the most vulnerable—in particular, the elderly and disabled—there is every reason to expect that the effect will be a further decrease in life expectancy. Russia is also facing a demographic crisis, due to the fact that the population is declining in

size, with the death rate rising and the birth rate falling.

In the area of culture, the Russian scientific community, which was once considered by many to be the largest in the world, has been decimated by a massive fall-off in state funding. Between 1991 and 1992, the share of the federal budget for civilian science went from 7.43 percent to 2.62 percent, and has continued to decline since.

The country has also lost enormous human resources as a result of the so-called “brain drain.” For example, between 1993 and 1996, anywhere between 7,000 and 40,000 scientists left the country. The average salary for a researcher today is \$60-\$90 a month.

At the end of 2002, the average pension in Russia was 1,500 rubles (\$50) a month. One of the most appalling features of contemporary life in Russia’s major cities is the large number of elderly women begging on the street, as pensions guarantee nothing but a life of hunger and disease.

The government’s announcement of plans to monetize social benefits coincided with its decision to significantly expand the privileges and benefits of state officials. On April 10, a new wage scale for officials occupying leading posts was implemented, raising their salaries by several thousand dollars.

Putin’s salary was more than doubled, to over 150,000 rubles (\$5,000) a month, while that of the deputy head of his administration was increased to more than \$3,000 a month. While in comparison to the salaries of their counterparts in the West these sums appear modest, they are staggering when compared to the average monthly salary of a Russian worker, which in January of this year was 6,000 rubles (\$200).

In addition, state officials receive a wide array of bonuses, including, according to a report in the April 17 issue of *Izvestia*, “country homes, transportation, (and) medical services.” One state official told the newspaper that he continues to work in the government as opposed to private business because he receives benefits whose total value amounts to approximately \$15,000 a year.

The greed of the state officialdom is a direct expression of its role as the defender of private property. The privileges of today’s bureaucracy pale in comparison to the massive incomes of the narrow layer of new owners in Russia, who over the past 15 years have seized control of a significant share of the former state property and the country’s natural resources. The contemporary Russian bureaucrat—utterly indifferent to the fate of millions of people—is the counterpart of the criminal Russian businessman.

In implementing the so-called reform measures, the Kremlin is continuing a policy that was begun during the Yeltsin period, when the rapid institution of pro-capitalist reforms liberalizing prices and privatizing the economy, known as “shock therapy,” led to a dizzying collapse in people’s living standards. At that time, despite the implementation of massive cuts in state subsidies, Yeltsin restored some social benefits in an effort to forestall mass protests by the working class and other social layers. As a result, certain aspects of the social structure that developed under the Soviet Union had not yet been completely destroyed.

The Russian ruling elite, with the support of Western governments and large multinational corporations eager to tap the cheap labor and raw materials of the country, has now decided to complete this job. The last vestiges of “socialism”—those gains that remained as a result of the Russian Revolution, despite the crimes of Stalinism—must go in order for the former Stalinist bureaucracy to complete the task of integrating itself into an emerging capitalist class.

This, however, cannot be carried out without sparking opposition

from the Russian working class. Throughout the summer months, the changes in the social benefits system provoked scattered demonstrations across the country. In Moscow, numerous protests occurred in July and August. In June, demonstrations were reported in the Altai territory, 300 people rallied in both the cities of Chelyabinsk and Novosibirsk, and 1,000 people protested outside the regional administration buildings in Saratov and Orenburg. During the same month, 15,000 people demonstrated throughout the Siberian region of Novosibirsk.

These events are only a very limited expression of the deep opposition that exists within the population to the so-called reforms and the growing social tensions that will inevitably erupt once the full impact of the changes are felt after their implementation on January 1, 2005.

The latest measures undertaken by the government once again illuminate the critical necessity of the working class of Russia and the former Soviet Union drawing the historical lessons of the nature of Stalinism. The bureaucracy headed by Stalin represented a nationalist, counter-revolutionary force opposed to the perspective of international socialist revolution that guided the October 1917 revolution. Its policies of “peaceful coexistence” with capitalism abroad and brutal repression and inequality at home ultimately led to the liquidation of all the progressive achievements that arose from the Russian Revolution. The restoration of capitalism in the former Soviet Union and the current policies of the Putin administration are the logical culmination of the entire reactionary program of Stalinism.

Only on the basis of an understanding of the lessons of the 20th century—above all, the role of Stalinism in undermining the international socialist movement and the revolutionary alternative fought for by Leon Trotsky and his followers—will it be possible for the Russian working class to oppose the deepening attacks on its living standards and democratic rights.

A struggle against the “reforms” being implemented by the Kremlin, and the horrific social and economic conditions that prevail in Russia and the former Soviet Union today, must be based on the development of a new, independent political movement of the working class against the profit system as a whole. Such a movement must be rooted in an international socialist program, renewing the great revolutionary traditions of the Russian working class.



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