

# Russia's presidential candidate D. Medvedev and the Kremlin's "national projects"

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5 January 2008

The political maneuvers carried out last month to promote Dmitrii Medvedev, the vice-premier of the Russian government, as President Vladimir Putin's "successor" were accompanied by a propaganda campaign portraying the focus of the new president's rule as an effort to improve the social conditions of the country's citizens.

In announcing D. Medvedev's candidacy for president on December 10, Boris Gryzlov, speaker of the State Duma and the leader of the "United Russia" party, which was victorious in the December 2 parliamentary elections, stated that Medvedev is a socially-oriented candidate because he oversees the Kremlin's "national projects."

At the December 17 United Russia congress that approved his nomination, D. Medvedev formulated his strategy of "continuity" in the following way: "It is the dynamic development of the economy and rise of the Russian village, the discovery of new possibilities for the growth of small and medium business, it is raising the welfare of our citizens, strengthening the social sphere and conducting effective demographic policy. For the preservation of the Russian nation, concern for veterans and the new generations—all this is a pledge for Russia's successful future, for our national perspectives."

The theme of "concern" for simple citizens was continued at a December 19 session of the State Duma. In the words of President Putin, "The main thing is that we have begun to resolve the most complex social problems that have accumulated for decades and which citizens confront in their daily life."

D. Medvedev's speech echoed this theme. "Investments in the social sphere have brought substantial returns to the economy as a whole," he declared. "And it seems reasonable to me to continue these investments."

Conceived as "investments in people," Medvedev continued, the national projects have proved to be an outstanding stimulus for developing various sectors of the Russian economy, and thus have a "multiplying factor." For instance, investments in health have revived the production of modern medical technology. The national education project has stimulated the development of the automobile industry, which supplies school buses. Resources directed at agriculture have simulated the banking sector, especially in the countryside.

It is obvious that the theme of "social orientation" will stand at the center of the Kremlin's and the media's efforts to promote Medvedev. According to the "transfer of power" scenario worked out in the Kremlin, the new president's ascension is to be justified not by war, as in Putin's case—but rather by the urge to do "good things" for the simple citizens.

From this standpoint it is worth examining the real content of the so-called national projects, and the material results of their implementation.

The national projects were launched at the end of 2005, in large part as a reaction to the wave of mass protests (the most powerful during the entire post-Soviet period) against the monetization of benefits—a packet of anti-social measures that came into effect in January of that year.

The monetization of benefits destroyed one of the chief remaining elements of the Soviet social system: the proposition that the most

vulnerable layers of the population should be guaranteed minimal access to social benefits such as medical care and drugs, regardless of the current market value of such services.

This universal principle of guaranteed access (at least on paper) was replaced by the principle of "selective" support of a limited number of recipients based upon the market price for these services at the time the reform was passed. As a result, the level of state obligations to the general population, expressed in monetary form, fell by a factor of no less than fifteen.

The national projects—the basic components of which are education, healthcare, housing construction and agriculture—were ostensibly designed to soften the destructive impact of the monetization of benefits. Enormous resources were devoted to the national projects. According to Dmitrii Medvedev's recent statement, in a two-year period, about 400 billion rubles were spent on their realization (about \$16.3 billion), and in 2008, about 300 billion rubles (\$12.2 billion) will be assigned to them.

Where has this money gone, and where is it going?

Primarily it is being spent either on the plugging of extremely neglected social "holes"—which does not alter the overall social picture—or on the support of private businesses which are engaged in serving the social sphere and which receive significant profits from participating in the national projects.

At a December 25 session of the presidium of the Council on High-Priority National Projects, which was chaired by D. Medvedev, the minister of education, Andrei Fursenko, declared that his main achievement was that all schools in the country (more than 50 thousand) had been connected to the Internet. He added that in "some places" the pay of teachers exceeded by 20-to-25 percent the prevailing average wage. In doing so, however, he did not name a single concrete region—in order to avoid raising any inconvenient questions. Instead, he said he was talking about "regions that had proposed complex programs of modernizing education in their schools." These regions, he added, had received "money in order to stimulate the most outstanding teachers. That is, the better you work, the more you will make."

What this amounts to is a pilot program for the reactionary scheme of "merit pay," hardly an impressive result. Despite Fursenko's claim that "the teaching profession had become prestigious not only from a moral, but also a material standpoint," the reality is that the absolute majority of Russian schools are plagued by enormously outmoded facilities, buildings that are in a state of disrepair and extremely low pay for teachers. The typical Russian school is sustained by the heroic enthusiasm of its staff and a system of "voluntary-forced" contributions by parents, thanks to whom the education process is kept afloat.

One would be fully justified in saying that Russian schools continue to exist not thanks to, but in spite of, government policy.

When it comes to housing construction, the authorities report increased investment in the construction of new living space. In the course of the December 25 session on national projects, the head of the Ministry of

Regional Development, Dmitrii Kozak, announced that 2007 would record more than 60 million square meters of new construction, which is almost 4 million square meters more than had been planned. However, as the government itself acknowledges, this tempo is absolutely insufficient to meet demand, which would require building more than 140 million square meters each year. But the main issue is the absolute shortage of living space resulting from astronomical real estate prices.

As the national projects have been carried out, apartment prices have doubled. The average cost per square meter in all the major cities has reached 70 thousand rubles, at a time when the average wage is about 14 thousand rubles per month. In other words, in order to obtain even a modest apartment, one must set aside one's entire wages for 10-to-12 years.

According to data from the "Agency for Mortgage Credit", 4.5 million families need better housing conditions. But only one out of twenty of them can scrape together enough money for even the most modest apartment.

"Half the population has no means for either buying or renting a place to live," confirmed the deputy of the State Duma, Galina Khovanskaya.

Moreover, experts have called attention to the enormous gap between the cost of building a square meter and its market price. Recently, the Russian construction corporation, RGI International, showed up at the London stock exchange and was compelled to open its financial records. What emerged was that the cost of building a square meter in an luxury apartment building in the center of Moscow fluctuated between 30 and 75 thousand rubles, at a time when the sale of the same square meter fetched 700 thousand rubles or more.

According to specialists, more than a third of new apartments in Moscow and other large Russian cities are acquired by so-called investors/speculators—who count on selling them later at a higher price. This housing "is frozen" and remains in such a state for a long time.

The real effectiveness of the "Obtainable Housing" national project was illustrated by an article published December 13 in the *New Gazette*. The paper reports that within the framework of a given area in June 2007, "22 projects were chosen, the infrastructure of which will be created with the support of the federal budget, as well as the participation of state companies such as 'Gazprom' and RAO 'EES.' Such construction projects include 'Rublevo-Arkhangelskoe,' better known as the 'city of millionaires' (being built by Suleiman Kerimov's company 'Rublevo-Arkhangelskoe'), 'Konnaya lakhta' and 'Northern Valley' (Oleg Deripaska's 'Glavstroj') and a number of other projects, in which the minimal value of the real estate involved exceeds one million dollars. How does all this fit in with the ideology of the 'Obtainable Housing' national project? In other words, who will be able to obtain such housing?"

Matters are no better with the national projects for medicine and support of agriculture. The main achievement touted by Tatiana Golikova, the recently appointed head of the Ministry of Health and Social development, in her report was that 70 percent of the "first aid" ambulances have been upgraded. As a result, the response time for physicians answering emergency calls has decreased from 35 to 25 minutes. "The mortality coefficient," she declared, "has fallen by 9 percent, and the birth rate has risen by 11 percent."

Even the newspaper *Izvestia*, which is completely loyal to the regime, felt compelled to accompany this information with the following comment: "People have begun to be examined regularly... Only car accidents spoil the picture: people in the majority of cases simply don't make it to the hospital on time—it takes too long to get there. The struggle against this sad statistic will begin next year."

When it comes to agriculture, after high-flown words about how "the moral collapse of the countryside has been overcome," Minister Aleksei Gordeyev admitted that the average wage in rural areas amounts to no

more than 6,000 rubles, that is, about 2.5 times less than the average wage in industry.

On the whole, the national projects have become long-standing propaganda exercises of the Kremlin, where the main thing is not real results, but the possibility of trumpeting alleged improvements on all the stations of the mass media. These are, in the full sense of the word, "Potemkin villages," based on which it is absolutely impossible to judge the real situation in the country.

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At the same time, the national projects have turned into an enormously corrupting feeding-trough, which is enriching those commercial organizations and state structures that engage in the "assimilation" of the money doled out in these programs.

The December 26 *Independent Gazette* cautiously reported that the implementation of the national projects "has been assessed in a variety of ways so far by independent specialists and by the population," and that "the effectiveness of distributing this money might even have provoked contradictory assessments among observers." The newspaper *Kommersant* announced in a similar manner on December 11 that "it has become accepted to doubt the real control of the economy entrusted to Dmitrii Medvedev."

The real issue is the widespread embezzling of resources appropriated for the realization of the national projects, where it is suspected that the scale of "kickbacks"—based on the general Russian practice—reaches 30 percent of the sums expended.

One of the scandals occurred in the Sverdlov area. The city administration obtained two computer tomography scanners (according to other sources—four) made by Siemens for city hospital No. 36. They paid about 80 million rubles each, at a time when CAT scanners actually cost a bit more than 40 million rubles. The deal was formulated by the deputy boss of the city's health administration, Aleksandr Shastin, and a representative for Siemens in the region, Lev Dubnov. They were both arrested in November and charged with squandering state resources.

What is noteworthy in this story is that the city health officials paid the company with resources received from the national health project.

One can only speculate as to how many such cases remain hidden from public scrutiny, given the Kremlin's tight control over not only federal, but also regional mass media.

A number of other examples demonstrate rather clearly the real results of state expenditures on the national projects.

The *Independent Gazette* announced on December 25 that 38 million Russian citizens who live in rural areas are without medicine, because the system of supplying Russian villages with pharmaceutical drugs has completely broken down.

Until now, medicines in rural areas have been sold through first-aid stations and midwife practices. However, according to recently introduced laws, the wholesale trade in medicine is subject to mandatory licensing. The cost of obtaining these licenses has made the sale of medicines in these areas commercially unprofitable. As a result, the *Gazette* writes, "The old system of supplying medicines has been successfully broken, and the creation of a new one to replace it has not occurred."

Another example has been given by the first premier, Sergei Ivanov, who before Medvedev was tapped had himself been considered the main candidate to become Putin's "successor." He announced that Russian television has begun to run ads for products using the word "nano;" for example, an anti-corrosive material called "Nanozinc" and a cosmetic product called "Nanocream." As S. Ivanov declared, "I sincerely doubt that there is any technology there, in general."

The problem is that not long ago a state corporation was formed called "RosNanoTech," and significant money was allotted to it from the budget—130 million rubles. The "assimilation" of these resources will

begin next year, but as yet in Russia there is no system for licensing such high-technology products.

What will be done with these state-generated funds is far from clear. But there is ample reason to suspect that a large portion will find its way into the coffers of private entities that are able to “find an approach” to those bureaucrats who will be making decisions about the finances of this new corporation.

S. Ivanov condemned the “nano-swindlers,” however, as the *Gazette* acknowledged on December 18, for now “it looks more likely that they will begin to hand out the nano-money rather carelessly.”

Such is the general socio-political framework, within which the efforts are being made to promote Dmitrii Medvedev as a slightly more “human” face for a deeply rooted system of corruption and thievery. D. Medvedev truly looks like a genuine “successor” of the system created by Yeltsin and “perfected” by Putin. He not only has no intention of changing it, but, on the contrary, will defend it with every means at his disposal.



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