

# Kremlin prepares austerity program

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After the conclusion of the election cycle and amid a deepening economic crisis, the Russian government is preparing major cuts in social spending. The Kremlin's recently released report, *Strategy 2020*, outlines a program for economic growth based on the implementation of austerity measures. First commissioned by Vladimir Putin in 2008 shortly before the outbreak of the world economic crisis, *Strategy 2020* has been revised several times. Its main features have remained unaltered, however.

The authors of *Strategy 2020* note that "the crisis of 2008-2009 has unambiguously demonstrated that Russia is on the brink of new socioeconomic developments." They state that under conditions of a likely aggravation of the world economic crisis and lower prices for oil and gas, the country's "old model of economic growth," i.e., its reliance on energy exports and a rapid increase in domestic consumption, has been exhausted.

The economy, notes the report, must become "competitive", mainly by means of "a more intensive use of all resources and reserves of labor productivity." This is coded language for an intensification of the exploitation of the working class.

The report goes on to state that "negative factors" that could impede economic growth, such as Russia's declining population, the "high cost of labor", and the "increasing burden of social expenditures", which limit the country's competitiveness on the world market, must be combated.

One of the central proposals of *Strategy 2020* is an increase in the pension age from 60 years for men and 55 for women to 63 years for both. Given that Russian men have a life expectancy of just 60 years, and women of 73 years, this is tantamount to the abolition of pensions for about half of the population and a sharp reduction in benefits for the rest.

In addition, the government's strategists suggest that

workers take over a portion of the payments made into the pension fund that had previously been the responsibility of their employers. A worker with an average income would thus pay 15 percent, instead of 13 percent, of his salary into the pension fund.

Pensions in Russia are already meager, and despite minimal increases over the past year they have effectively declined because they do not keep up with inflation, which is particularly high for basic necessities such as food and utilities.

The overwhelming majority of the population is deeply hostile to the long-discussed pension reform, as it will affect not only the elderly, but broader layers of society. In addition to the 18 percent of the population that directly receives a pension, another 30 percent depends on a pension indirectly via family members, according to the Independent Institute for Social Politics.

In late March, the online financial publication *Finmarket.ru* posted minutes from closed-door sessions held in the Kremlin on February 29 and March 6, during which President Dmitri Medvedev and Prime Minister Putin discussed austerity measures with experts and other politicians. Increasing the pension age—previously publicly criticized by Putin and Medvedev for tactical reasons—was not even discussed at these meetings, as everyone present had already endorsed the change. These meetings, and *Strategy 2020* more generally, give the lie to the cynical promises made by Putin to increase social spending in the lead-up to the March presidential election.

*Strategy 2020* further calls for a "radical privatization" of state enterprises over the course of the next three years, so as to increase market competition. At the same time, state investment in the economy is proposed to increase to 3-3.5 percent of gross domestic product, thereby guaranteeing a further transfer of public funds to the private sector. As has happened

with earlier privatization waves in Russia, this will result in a redistribution of wealth among the ruling circles and more layoffs for workers.

Strategy 2020 also advocates the further implementation of “effective contracts” with state employees, teachers, doctors and cultural workers. Since 2004, such contracts have resulted in a reduction of wages and a worsening of working conditions at state-supported institutions.

Another component of plans to make Russia a cheap-labor platform is an increase in the employment of migrant workers—the lowest paid and most defenseless section of the working class. The ruthlessness of the exploitation experienced by this social layer in Russia was seen earlier this month when 17 migrant workers died in a dormitory fire outside of Moscow. They were being housed inside a shelter unfit for human habitation and devoid of all fire safety equipment.

Russian Finance Minister Elvira Nabiullina has declared agreement with the basic orientation of Strategy 2020, stating that only the details remain to be discussed.

The release of Strategy 2020 comes amidst signs of a further economic downturn in Russia.

On April 3, the Finance Ministry corrected its forecast for economic growth in 2012 downwards from 3.7 percent to 3.4 percent. Nabiullina has warned of a further slowdown if reforms are not implemented. As has been done in countries around the world, the Russian government is using the global economic crisis to deepen its attack on the working class.

International financial institutions, such as the rating agencies Fitch and Standard & Poor’s, have exerted considerable pressure on the Russian government in recent months, urging it to implement austerity measures. The World Bank too has pressed for more fiscal austerity in its latest economic report on Russia, which was published March 27.

The World Bank has praised Russia’s impending accession to the World Trade Organization this summer, which will facilitate Western investment in the country. Given that many sectors of the Russian economy are relatively backward and unable to compete with global standards, the increased presence of foreign companies will mean either bankruptcy for domestic firms or the gutting of jobs and salaries.

The austerity program being prepared by the Kremlin,

which is supported by all factions of the ruling elite, will fuel social tensions. The Russian population has already experienced a significant decline in its living standards in the past three years alone.

Real wages have stagnated since the beginning of the world economic crisis in 2008. Last year saw real wages increase by just 1 percent, while prices, especially for basic necessities, rose substantially. According to official government statistics, the number of poor people increased by 2 million in 2011, reaching 21.1 million. However, the poverty line of 6,505 rubles a month (around €165, or \$200) is extremely low. The official numbers in no way capture the real scale of social deprivation in Russia.

As has been seen in Greece, Italy, Spain and elsewhere around the world, the social counterrevolution being prepared by the Russian government will result in a resurgence of class struggle.



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