

# Russian president downplays economic crisis

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In a brief speech followed by a lengthy press conference on Thursday, Russian President Vladimir Putin attempted and failed to buoy confidence in the Russian economy, whose national currency has plummeted in value against the dollar in recent weeks.

Over the course of a three-hour marathon discussion with reporters, Putin elaborated no clear plans for how his government would address the currency collapse, but promised his audience that the situation would resolve itself within two years.

Putin's evasive and contradictory responses during the event, at which reporters questioned him about the possibility of a "palace coup" and the role of Russia's oligarchic caste in undermining the country's economy, reveal the depth of the crisis confronting his regime as it faces an escalating geopolitical conflict with the United States.

On Saturday, the US Congress unanimously passed a bill authorizing military aid for Ukraine and new sanctions against Russia. Obama signed the legislation on Thursday, but stated that he would not impose the measures "at this time."

On this front, Putin made overtures to his "Western partners," even as he accused the United States of supporting terrorist separatism on Russian soil, the second time in the last week he has done so.

When asked by one reporter, "What's happening now with our economy—is this payback for Crimea?" Putin responded, "No, this is not payback for Crimea. This is payback, or rather, this is payment for our natural desire to preserve ourselves as a nation, as a civilization, as a state ... After the fall of the Berlin wall, after the collapse of the Soviet Union ... we completely opened ourselves up to our partners. And what did we see? Direct, full-scale support for terrorism in the north Caucasuses."

Later on in the press conference, however, Putin appealed for collaboration with the very political forces

he accuses of sponsoring terrorism on Russia's soil and working for the country's break-up.

"We want to develop normal relations in the sphere of security, in the struggle with terrorism. We will work together on the non-proliferation of nuclear weapons. We will work together on such threats as the spread of narcotics, organized crime, the spread of dangerous infectious diseases, including Ebola. We will do this all together, including in the economic sphere, if our partners want this."

When asked by a reporter from Kaliningrad whether residents of the Russian region sandwiched in between Poland and Lithuania had cause for concern over the militarization taking place in the surrounding countries, Putin first noted Russia's own military forces in the area and then added, "Relax ... don't develop a phobia, but develop collaboration."

The Russian ruble hit historic lows earlier this week, following an emergency interest-rate hike by the country's Central Bank that failed to stem the currency's slide. After recovering late on Tuesday and early Wednesday, the ruble's value fell again slightly in the aftermath of Putin's press conference, finally settling at around 62.5 rubles to the dollar.

Analysts link the failure of Russia's currency to appreciate on Thursday in part to the fact that Putin unveiled no clear measures to address the country's economic crisis. Rather, he attempted to paint a positive portrait of the situation by noting a 0.7 percent uptick in the Gross Domestic Product in the first three quarters of the year (prior to the 2008 world economic downturn, Russia had posted annual growth rates of as high as 7 percent), as well as an increase in the country's trade and budget surpluses.

Putin claimed that Russia would pull itself out of the crisis, meeting all its "social targets and plans" and "focus on assistance to those people who really need it." However, he noted, "Clearly, we would have to

adjust our plans in case of any unfavorable developments. We would certainly be forced to make some cuts. However, it is equally certain ... that there will be what experts call a positive rebound. Further growth and a resolution of this situation are inevitable ... the global economy will continue to grow, the rates may be lower, but the positive trend is sure to continue.”

That the Russian President would make such a claim as global markets tumble and there are spreading signs of a renewed world economic downturn, is a sign of the desperate situation facing his regime. Earlier this week, one government insider speaking to *Forbes* described the situation in the Kremlin as follows: “Everyone is in a tizzy, understanding that the depreciation of the ruble is affecting the population and threatens a social explosion.”

With food prices climbing by between 20 and 25 percent compared to last year, the Russian president promised that his government would “concern itself with ... prices for gas, [and] prices for food stuffs.”

Acting as if the Kremlin did not just announce a 5 percent year-over-year cut in state expenditures through 2018—which includes massive scale-backs in spending on education, health care and social welfare—Putin attempted to build up the importance of miserly increases made to pensions and salaries for certain sectors of government employees over the course of 2014.

The contradictory character of Putin’s positions are rooted in the fact that his regime, borne out of the reintegration of the Soviet Union into the world capitalist economy and its subordination to global finance capital, cannot find a way out of the intensifying conflict with the US. The oligarchic elite, on whose behalf Putin works, is seeking to preserve its wealth first and foremost by finding a compromise with the West.

Immense social anger exists over the ill-gotten riches of this layer, and Putin’s ability to manage the internal and external pressures facing his regime is increasingly being called into question.

On several occasions reporters inquired about Putin’s use of the term a “fifth column,” referring to forces working inside Russia to undermine the government on behalf of foreign powers. A reporter from *Znak.com* eventually asked:

“Do you consider certain categories of people enemies of Russia, in particular the leaders of state corporations who from the get-go take trillions from the budget then spend millions on purchases of iPhones, then throw bonds onto the country’s markets, but don’t forget to pay themselves millions of dollars’ worth of bonuses; those bureaucrats, even those in your close circle, who live indeed in palaces, bearing in mind that our grandmothers are now pinching pennies for bread?”

“Pardon me, but such populism is out of place,” replied Putin, then adding, “But, of course, elements of social justice have to be preserved.”

Putin also had the following remarkable exchange with a Reuters reporter:

A. Anishchuk: You are frequently inclined to accuse various internal forces in everything that is unfolding, but I also know that some representatives of the elite, people from your circle, the most informed citizens of Russia, regardless of their public rhetoric, are frequently inclined to accuse you, as the person who over the course of 15 years has made all the key decisions in Russia.

Putin: Tell me their names.

A. Anishchuk: Unfortunately, I can’t. ... Are you sure about your circle, that it unconditionally supports you? And to what degree do you see the risk of a government or even a palace coup? What will you do in the event of an “orange” or, god forbid, “red” revolution? You’ve said many times, but do you have any plan in the event of the betrayal of your circle or a palace coup?

Putin: In terms of palace coups, relax: we don’t have palaces, and thus there cannot be any palace coups.



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