# As economic distress grows in Russia, government makes officials' wealth and income classified information

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Indices published since the start of 2023 show that key sections of Russian industry, the country's treasury and masses of working people are in economic distress. As signs of the problems increase, the country's Duma recently passed a law ending the requirement that parliamentary representatives publicly declare their wealth and income. The measure was justified on grounds of military expediency.

Despite record oil and gas sales, the Kremlin has not overcome the impacts of crippling western sanctions imposed after Russia invaded Ukraine in response to years of US-NATO provocations. As Washington and its allies escalate militarily—ever more openly proclaiming their intentions to break apart and "decolonize" Russia—the ruling class in Moscow finds itself on a collision course with its own working class, a population which it can only exploit but not defend.

In late January, news broke that auto manufacturing in Russia declined by 58.8 percent year, reaching a level not seen since the era of "stagnation" under Soviet leader Leonid Brezhnev. The decline, reported by the Association of European Business based on official Russian data, has set the country back 50 years. Industry expert Sergei Slyanov described the situation in an interview with press outlet *Nastoyashschye Vremya* as "catastrophic." The plants, he says, are filled with half-built cars.

Last year, every auto factory in the country halted operations at some point, and most have not come back online, with American and European manufacturers having pulled out of the Russian market entirely. Citroen, Opel, Peugeot, Mitsubishi, Volkswagen, Mazda, Ford, Mercedes-Benz, Hyundai-Kia, Nissan and Toyota are just a few of the companies that have closed down facilities that span all of Russia, from Saint Petersburg in the west to Vladivostok in the east.

According to the Rosstat, the country's federal statistical agency, in October of last year 27.1 percent of autoworkers were furloughed, and another 8.4 percent were working part-time. The industry directly employs 300,000 and indirectly roughly 3 million people. The shuttered Hyundai plant in Saint Petersburg, Russia's second-largest city, laid off 2,180 workers last month.

Speaking about the Russian province located in between Poland and Lithuania along the coast of the Baltic Sea, Slyanov stated, "To count precisely the number of people who have survived in the Kaliningrad region at Avtotor, for example—it is very difficult to imagine such a thing. It is not for nothing that they were given land and sown potatoes so that these people, who produced BMWs recently, are now turned into peasants and at least will not starve to death."

While Chinese manufacturers have taken over some idled facilities, this is not enough to compensate for the production that has been lost. The new cars, twice as expensive as those made before the war, are out of reach of most Russians. According to an analysis of government data conducted by Russia's Higher School of Economics, real incomes in 2022 were 8 to 9 percent lower than they were in 2013, with essentially a decade of growth having been wiped out.

Russian domestic carmakers have neither the technology nor the know-how to restart production on a wide scale, as the industry has been dominated by foreign firms for decades. Currently, producers at AvtoVaz, Russia's massive, flagship facility in Togliatti, are largely out of paint, and one can only buy an automobile in one of three colors.

In his interview, Slyanov noted that the government is remaining tight-lipped about conditions in other industries. "We can see that aviation is not doing well either, but we do not know what is happening with ships, what is happening with food, clothing, medicine. We can only guess," he said.

The Kremlin has recently touted data showing that poverty and unemployment levels are at historic lows in Russia, and inflation is falling. But the statistics and the claims are based on a combination of half-truth and cover-up.

While inflation, which stood at around 12 percent last year, has declined, the fact that price increases are slowing does not mean that working people who could not afford goods at yesterday's prices will suddenly be able to afford them at today's. If one could not buy a pound of butter for $1 in December, one will not be able to buy one for $1.05 in January. A drop in the inflation rate from 12 percent to a predicted 5 to 8 percent in 2023 does not improve the situation for a single working person.

Costs continue to rise for households in those areas of the economy most central to families' budgets. Last year, the Russian government authorized what was supposed to be a maximum 9 percent increase in rates charged for utilities. Households and businesses across the country, however, report being hit with bills that are 30 to 40 percent higher and more.

In many cities, residents are circulating petitions opposing the new tariffs. One petitioner in Saint Petersburg said that between November and December of last year his bill went from 3,000 rubles to 5,100 rubles a month, despite the fact that his usage did not climb accordingly. When comparing what he paid for gas in December 2021 to December 2022, a resident of Orenburg saw his charges double.

The federal government insists that the price hikes are necessary to cover the cost of Russia's dilapidated utility infrastructure. According to a January 26 article in *Nezavisimaya Gazeta*, 6,000 utility failures of one form or another happen every month in Russia resulting in blackouts, water shutoffs and heating outages. "People often die," reports the newspaper. In total, the country needs to replace more than 952,000 kilometers of heating, water and sewer networks.

In 2022, the government took limited measures to buoy the incomes of some of the most distressed layers of the population. It issued a number of support payments to families and indexed pensions for retirees, giving them a 10 percent across-the-board boost. The result of this has been to pull many just across the absurdly-low official poverty line, such that even though they are desperately poor, they are not counted as such.

The state, however, is not willing to extend the mirage farther. The Russian Duma just recently refused to increase the pensions of those of retirement age who continue to work. In other words, a 65-year-old man who still has a job as a security guard will get his pension, but not the 10 percent increase offered pensioners who are not working at all. In addition, in 2023 no one in Russia is eligible for retirement. When the government pushed through pension reforms in 2016, it created a gap in the years that individuals are eligible for retirement such that those who did not make an earlier cutoff date have to wait several more to stop working.

Widespread socioeconomic distress in Russia manifests itself in different forms. One out of every five job-seekers reports long searches to find new work, according to Zarplati.ru. Of the working population under the age of 35, just 17.7 percent make enough to be considered "middle class," found a new study by the Center for Stratification Studies at the National Research University Higher School of Economics. Forty percent of Russians do not have enough savings to last even three months in the event of a job loss, a federal agency found. Crimes related to drug production are up 40 percent, says the ministry of international affairs. The country is entering its seventh year of population decline, with 2023–2024 expected to have the lowest birth rate on record, notes the Gaidar Institute. A primary reason is that young people are too indebted to have kids.

A report based on a recent survey by sociologists from MGIMO and the University of Finance warned that the socioeconomic situation in Russia is "fraught with the possibility of a social explosion."

While the Kremlin is quick to highlight the size of Russia's revenues being generated from hydrocarbon sales, nonetheless there is a growing hole in the country's treasury, with the state running a budget deficit of 2 trillion rubles, about 2.2 percent of GDP. Experts expect it could rise to 6 trillion rubles. The government has to finance its disastrous war at the same time that it has lost, according to the upper chamber of the country's parliament, trillions in revenue to tax breaks for businesses. While the country continues to export massive amounts of oil and gas, purchasers are demanding 30 to 40 percent discounts off global prices because, due to western sanctions, it is a "buyer's market."

It is under these conditions that the state Duma just enacted a law that ends income and wealth reporting requirements for parliamentary representatives. There is a related effort underway to extend this to thousands more government officials. Already, many local and regional politicians are able to keep their riches secret because they are also businessmen and, no doubt out of the generosity of their own hearts, have long decided to forego a meager government salary. As a result, they are required to reveal virtually nothing about their wealth.

Clearly the Russian ruling class is afraid that under conditions of growing social suffering and an unwinnable war instigated by the imperialist powers and being waged for the defense of the country's oligarchs, knowledge of its wealth will provoke a social explosion.

Simultaneously, the state Duma is considering a law that will allow commanding officers and military police to arrest and detain rank-and-file soldiers for disciplinary reasons without the decision of a military court during times of conscription, war and martial law.