

# Notes on the socioeconomic crisis in Russia

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Recent events around the world confirm the general trend of capitalism toward dictatorship and war. Unable to cope with the crisis in any other way, imperialist and bourgeois-nationalist regimes are betting on weapons as the only “almighty” means of resolving their contradictions, threatening the world with nuclear war.

The Putin regime is no exception and has long been trying to resolve its own crisis through dictatorship, weapons and diplomatic maneuvers with imperialism, attempting to strike a deal that would save the Russian oligarchy from the blows of imperialism while at the same time preventing the development of a working class revolution in its own country.

The principal ideological lever the Putin regime uses to both justify and camouflage its policies is the promotion of Russian chauvinism. On June 12, the so-called “Russia Day,” Putin held a ceremony to award state honors. In his opening remarks, he declared that this holiday “symbolizes the powerful, unbroken, more than thousand-year-old path of the Russian state.”

By reviving the myth of a thousand-year-old Russia, Putin is trying to hide the fact that this “holiday” only appeared after Boris Yeltsin’s decree in 1994 and became officially called “Russia Day” in 2002, based on Putin’s own decree. Its principal purpose is to serve the interests of the Russian oligarchy in poisoning the consciousness of the working masses. This “holiday” plays an even more important ideological role today, in the context of the escalating war in Ukraine, than it did before.

The history of Russia Day is interesting. On June 12, 1990, the Congress of People’s Deputies (the Russian parliament at the time) adopted the Declaration on the Sovereignty of Russia, paving the way for the restoration of capitalism and the liquidation of the Soviet Union in December 1991.

Once it came into being, the Russian Federation did not live long with its former parliament, which was shelled by Yeltsin’s tanks in October 1993, leading to the establishment of a presidential dictatorship and a change in the Constitution. The former parliament was replaced by the Federal Assembly, in which the president effectively enjoyed a guaranteed majority, almost always thanks to anti-democratic election procedures. As Yeltsin’s successor, Putin inherited his commitment to the absolute power of the president over parliament in resolving key issues of policy of the Russian oligarchy. All of Putin’s major decisions and actions have been taken independently of parliament.

Of course, in his speech, Putin made no mention of any of this. Moreover, he did not touch upon any of the key issues of the current socioeconomic situation in Russia. His attempts to cover up the serious socioeconomic crisis testifies to the bankruptcy of his regime, which is incapable of calling a spade a spade.

## A decline in economic growth and endless price increases

The most striking feature of the current situation in Russia is the decline

in economic growth compared to the previous years of 2023 and 2024, when the Russian economy grew by about 4 percent per year. This short-lived growth, due to high military spending and the Central Bank’s relatively soft policy, has come to an end, and now Putin’s regime must pay for the “military boom” with an attack on the working class.

A recent quarterly issue of the Institute for Economic Forecasting of the Russian Academy of Sciences (INP-RAN) stated that Russia’s annual GDP growth since June 2024 was only 1.4 percent, and that by the end of the year, the situation of low economic growth could turn into a recession. Statistics for May indicate that economic growth has almost completely stalled in nearly all sectors of the economy.

At the same time, the Central Bank of Russia, headed by Elvira Nabiullina, is not particularly eager to change its policy of tight interest rates. The Central Bank’s tight monetary policy is justified by what is called the fight against inflation in order to avoid overheating and straining the economy against the backdrop of the war. In this sense, the Central Bank is responding to the situation according to the textbook of bourgeois economics.

But despite the Central Bank’s tough stance on interest rates, inflation has not fallen significantly, standing at 9.7 percent as of June 2. This is still a long way from the initial forecasts of reducing it to 4 percent by the end of 2025.

At the same time, the main brunt of such price increases falls primarily on the poorest sections of the working class, employed in low-paid jobs. In particular, utility bills are set to rise by 11.9 percent from July 1, 2025, by 9.8 percent in 2026, and by 7.9 percent in 2027, with inflation forecast at 6 percent for 2026 and 4 percent for 2027.

Overall, electricity and gas tariffs for the population will increase by approximately 42.6 percent and 80 percent, respectively, by July 1, 2028. This increase in gas prices is primarily due to the desire to shift the burden of the state-owned gas company Gazprom’s crisis onto the shoulders of Russian workers. The crisis in the oil industry caused by low world oil prices, will inevitably force companies to further shift the crisis to the domestic market by raising gasoline prices, exacerbating the crisis in freight transport and hitting working families who depend on cars for their livelihoods.

## Stagnating wages and unemployment

Previously, the Central Bank has justified its tough line by saying that Russian workers’ wages were growing too fast. However, while it’s true that real wages have gone up, it must be recalled that this growth has been uneven, affecting only certain groups of people.

Moreover, today, this excuse no longer works, as wage growth has effectively stopped. For example, according to Head Hunter (an online job search platform), since March this year the median wage has grown by no more than 100 rubles per month (US\$1.27), making it impossible for them to keep up with inflation.

Overall, the labor market has tightened significantly. Although official unemployment remains low, the situation has clearly changed compared to last year, with an increase in unemployment. On Head Hunter, the number of vacancies fell by 21 percent over the year, while the number of resumes per vacancy increased from 3.3 to 5.6.

An interesting picture can also be seen in the income structure of Russian families. Just recently, on June 9, the Central Bank presented a review analyzing the growth of Russian incomes per capita from 2022 to 2024, broken down into groups ranging from the richest 10 percent to the poorest 10 percent. These statistics generally confirmed that the average financial situation of the working class has improved over the years of the war. But as expected, this increase was not for everyone and is likely to reverse in the future.

In particular, 22 percent of Russians said in 2024 that their situation had worsened compared to 2022. The same number of Russians reported an improvement. The remaining 56 percent said their situation had not changed. However, as of 2024, 90 percent of Russians had a median income of between 12,000 (below the official subsistence minimum!) and 50,000 rubles (between \$153 and \$636) per person. At the same time, the richest 10 percent had a median income of 74,000 rubles (\$941) per person in 2024. This is the only group that has not been affected by rising food, housing and clothing costs.

It is noteworthy that since these are median figures, not averages, we can say with certainty that 85 percent (124 million people) of Russians live on less than 50,000 rubles (\$636) per person per month. Fifty-five percent of Russians (80 million people) live on less than 30,000 rubles (\$382). Fifteen percent of Russians (22 million people) live on less than 17,000 rubles (\$216). For comparison, the official subsistence minimum in Russia in 2024 was 15,500 rubles (\$197).

Overall, the Central Bank's report says more than its authors intended. Although the material situation of some segments of the working class has improved, in reality, this influx of state money at high interest rates has increased the wealth of the Russian oligarchy and inequality in the country. While real wages for some sections of workers have modestly improved during the war, the oligarchs were able to amass far greater riches: Between 2021 and 2024, the number of billionaires listed by *Forbes* grew from 117 to 146. In 2024 alone, these 146 individuals increased their fortunes by \$48.7 billion.

Huge injections of money into the military economy have led to the growth of a whole caste of people connected with the war in Ukraine, who have made large fortunes and are now far ahead in terms of living standards compared to the rest of the population, which is already bearing the brunt of the crisis.

## A growing state budget deficit

In January-May 2025, the budget deficit already amounted to 3.4 trillion rubles (\$43.3 billion). This deficit is already larger than it was in 2022 and 2023 and has almost reached the level of 2024. The increase in the budget deficit compared to the initial plans is primarily due not to an increase in government spending (which grew only slightly compared to 2024), but due to the decline in oil and gas revenues due to falling world prices for raw materials, combined with a sharp fall in the dollar against the ruble. Both have been a direct result of the Trump's trade war.

The constant deficit is forcing the Russian state to borrow and spend more of its reserves, which have already been depleted by three years of war. This situation inevitably pushes Putin's regime into a counterattack against the working class. While the price increases are a response by capital to rising wages, the state, for its part, responds in the area of labor

legislation.

Back in April of this year, the authorities discussed amendments to the Russian Labor Code that would allow capitalists to legally increase the working day from 8 to 10-12 hours under the guise of overtime, paid at only 150 percent of the normal wage instead of 200 percent as required by current legislation. These amendments have not yet been adopted, but the situation in the country suggests that the authorities will soon decide to adopt them.

At the same time, the authorities have already managed to adopt amendments concerning minors (young people aged 14 to 18), who will now be able to work on weekends and during their vacations. In effect, this leads to the legalization of the already widespread use of teenage labor on days that are formally supposed to be devoted to youth recreation.

Just recently, on June 7, Putin adopted amendments to Article 135 of the Labor Code, according to which employers now have the full right to deduct up to 20 percent of workers' wages for "violating labor discipline." In effect, this is a partial return to the system of fines in Russia, which was abolished in 1917 after the February Revolution.

## The crisis in education and healthcare

One of the most serious systemic problems in Russia is the decline of public education. On an ideological level, the state is ever more aggressively interfering in school curricula, which are brought in line with the Putin regime's promotion of Great Russian Chauvinism and a nationalist falsification of history. At the same time, the state keeps undermining teachers' salaries and working conditions.

The situation in education is so acute that in April this year, teachers sent an open letter to Putin, openly raising the issue of the tragic state of schools in the country. The main problem they raised was that there are not enough school teachers throughout the country.

According to Minister of Labor and Social Protection Anton Kotyakov, by 2030 the shortage of teachers will exceed 480,000. The shortage of school staff in many regions of the country is between 30 and 40 percent, depending on the region.

One of the most striking examples of the decline in the number of teachers is the reduction in the number of physics teachers from 61,000 to 31,000 between 2002 and 2022. As a result, only a small number of schoolchildren are enrolling in engineering specialties, which are so necessary for many industries, covering only 37 percent of the required enrollment plan for engineering specialties.

It is deeply ironic, given the seriousness of the situation, that it has become much more difficult to become a teacher due to the fierce competition for state-funded places in teacher training institutions. At the same time, young teachers earn only about 25,000 rubles per month (\$318), placing them among the poorest half of the country's population.

The education crisis is an additional burden for ordinary families, who are having to invest more and more of their own money to keep schools running and prepare their children for state exams by hiring private tutors.

The crisis in education is compounded by a healthcare crisis. Exacerbated since the start of the coronavirus pandemic in 2020, this crisis has further grown deeper against the backdrop of the war. It should be recalled that in 2021, Russia's population declined by 1.4 million people as a result of the healthcare system's inability to cope with the coronavirus pandemic, exacerbated by the policies of Putin's regime. Following the example of its "Western partners" in this area, the Russian oligarchy never implemented science-based policies to contain the pandemic and early on lifted all remaining measures, allowing the virus to

run wild.

As in public education, health care is plagued by a serious staffing shortage. According to the Ministry of Health, Russian medicine lacks 69,000 doctors and 65,000 mid-level medical personnel. Russian Deputy Prime Minister Tatyana Golikova considers the situation to be even worse:

“By 2030, in order to replace staff retiring due to age and attract additional young people to the industry, we need 496,000 medical workers with secondary specialized and higher education: 276,000 doctors of various specializations and 220,000 workers with secondary specialized education.”

To cover such a number of medical personnel by 2030, 55,000 students would have to graduate medical school annually. However, over the past year, only 35,000 people enrolled, and no more than 20,000 completed their studies and began working in their specialty. At the same time, in many regions, medical workers are forced to work themselves to exhaustion. On average, they work 30 percent more hours than a normal working day.

The crisis in Russian healthcare is worsening the decades-long breakdown of the state-run medical system inherited from the Soviet Union, while private healthcare continues to flourish. The inability of state medicine to treat patients quickly and effectively pushes them into the arms of private clinics, where the cost of medicines and treatment is prohibitive for most working families.

### A perspective for the working class

The obvious problems in many sectors of the economy and areas of society are growing at an even more frenzied pace against the backdrop of the ongoing war. The diplomatic maneuvers proved to be only a temporary distraction from the real situation on the front lines, where the war is not only continuing but escalating. The sabotage operations of the SBU [Security Service of Ukraine] have been ongoing since the beginning of June and have even reached Siberia and the Arctic, underscoring that the war in Ukraine is part of a much broader war against Russia.

The overall situation on the front is also difficult. Although the Ukrainian army as a whole has lost more than the Russian army, Russian losses have also increased significantly. In its conservative estimate of losses as of February 24, 2025, the pro-Ukrainian Meduza reported 160,000 killed. If we trust these figures, the Russian army lost an average of 146 people per day during the three years of the war. For comparison, according to Meduza’s data from February 24, 2024, Russia lost 103 people per day during the first two years of the war. This means that in the third year of the war, Russia lost 232 people per day. If this increase in losses continues, Russia will lose 520 people per day during the fourth year of the war. Such an increase in casualties inevitably raises the question of a new mobilization in Russia, as the approach of recruiting volunteers with high pay has already practically exhausted itself.

Putin wants to strike a deal with Trump to avoid a direct war with US imperialism. But Trump’s principal strategy is to prepare the US for the start of a war with China, which is becoming increasingly inevitable as the trade war fails to reverse the effects of the economic decline of US imperialism. Moreover, the European powers, upon which the continuation of the war in Ukraine increasingly depends, are becoming ever more aggressive. The recent trip by German Defense Minister Boris Pistorius is a telling sign of the shift in initiative from the US to Europe in the war against Russia. The European arms campaign is unprecedented since the 1930s, the years immediately preceding World War II.

The Putin regime has no progressive strategy or rational response to the

general escalation of war worldwide and the imperialist war strategy against Russia in particular. Relying on the legacy of Stalinism and capitalist restoration, it is desperately seeking to defend the interests of a narrow oligarchy which has no independence from imperialism and is itself deeply divided. As a result, Putin’s regime is inevitably drawn into open conflict with its own working class, which is increasingly bearing the brunt of the Russian economic crisis.

The Russian working class is again confronted with the fundamental historical and social problems that gave rise to the 1917 October Revolution: Imperialist war and immense social inequality. In order to resolve these problems, it must again take up the perspective of world socialist revolution, which informed the Bolsheviks under Lenin and Trotsky when they led the working class in the seizure of power in 1917.

The international isolation of the Revolution led to the bureaucratic degeneration of the Soviet Union, Stalinism’s abandonment of the perspective of world revolution; and its policy of political genocide against revolutionaries played a central role in enabling the rise of Hitler and the beginning of World War II. This betrayal culminated in the Soviet bureaucracy’s dissolution of the USSR, which created the objective conditions for the war between Russia and Ukraine and the imperialist-carve up of the entire region.

Today, the contradictions of world capitalism once again present the world with the prospect of a world revolution of the working class. The objective conditions exist for Russian, Ukrainian and European workers, as well as American, Asian, Latin American and many others, to mobilize on an internationally unified basis and to prevent a Third World War.

But in order for these objective conditions to be used to the advantage of the international working class, the question of the political leadership of the working class must be resolved. In Russia and the countries of the former Soviet Union, this is all the more urgent because the vast masses of workers are disoriented by the policies of the Putin regime and the crimes of Stalinism.

To overcome this disorientation, it is necessary to build Russian and other sections of the International Committee of the Fourth International in the territory of the former Soviet Union. Only by building sections of the World Party of Socialist Revolution will the working class be able to cope with the tasks imposed on it by the historic crisis of capitalism.



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