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2009

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## Russia. At the bottom.

Alliance of Revolutionary Socialists

2009

One must be lazy to not talk of the crisis nowadays. In a song defiantly titled “Anticrisis”, Seva, a popular Russian Internet rapper, even raps about smiling more and taking chances to free ride as the crisis endures. While in Kiev, an open-air cinema in one of the city’s parks displayed a pop video where a singer and his revealingly dressed female crew insisted on forgetting about the crisis and relaxing.

Show business certainly gives interesting advise, but it’s hardly possible for all those ordinary working people to relax while bearing the brunt of the crisis on their shoulders. And there’s all the less reason to smile for those millions who were laid off. Even more so for the students - who, having graduated into a dead labour market, can all but free ride. Let alone the pupils who will face a lack of free places in universities.

The CIS countries have been hit the worst by the capitalist crisis (the second quarter of 2009 brought a fall of 10.9% to Russia’s GDP). It makes it all the more bizarre that the crisis for some people is no more than smiling and free riding.

It’s impossible to distinguish the politicians from the pop singers within this concert of absurdity. Mr. Kudrin, Russia’s minister of finance, assured: “We still do not have the final data

for the second quarter, but we expect Russia's economy to grow in the third quarter compared to the second quarter, and the third quarter will mark the end of recession.\*" Sounds great! But in reality, we can say that Russian GDP contracted all the way through 2009, and most optimistic prediction would be an end of contraction, but certainly not growth. It seems that the Russian and CIS economies are simply crawling along the bottom, having no more vertical space underneath them for now. Mr. Sokolin, the head of the chief statistics agency Rosstat, did not share Mr. Kudrin's wild optimism: "I'm no politician, I am a statistician; only in 3 to 4 months will it become clear if there is any growth. For now all I see is a horizontal trend."

Meanwhile, in mid-2009 the Ministry of Finance predicted that the budget deficit would reach 3.2 trillion by the end of 2009, although recently the scale was revised down. The real figures are yet to be revealed. How do the authorities respond to such conditions? They quite simply look to free ride and line their pockets while doing so. The vice prime minister, Mr. Shuvalov, said that "the time when we can revert to privatisation will return" in an interview with Bloomberg TV. Kudrin has already let everyone know that he agrees. The government has resumed selling off state assets, allegedly due to the budgeted deficit, and the premier Putin labelled privatisation as "one of the instruments of structural reform in the real sector of the economy". The state can now count on an influx of 80 billion roubles by the end of 2010, and income will be generated mainly through sending "strategic" state enterprises under the hammer.

So what is behind all the rhetoric? The state, as the primary capitalist, is juggling capital between abstract legal forms. The "new" private owners will likely remain the same state bureaucrats who will acquire freebie "strategic" capital by free riding on their positions in critical economic conditions. While in most countries anticyclical measures are based around up scal-

ing state intervention, Russian overlords are planning a second privatisation.

A saying goes: “You can’t get Russia with the brain”. But what is there to get? If the elites of the developed centres of capital are acting rationally (as far as this is possible in chaotic markets), on the assumption that scorched earth isn’t profitable in the long run, the Russian elites are then psychologically fatalistic compradors unconcerned with any kind of strategy. The stunted two-head chicken of the Russian state and business is addicted to the oil needle and other prospects of investment are marginal to their scope of interest. The rate of profit in the bloated oil industry satisfy it’s addiction or now, and what happens once its reserves are flushed is beyond it’s capacity – it’s a chicken, it doesn’t think.

Both nationalisation and privatisation are always done in the interests of the ruling class, in accordance to the famous principle of “nationalising the losses and privatising the profits”. If the core capitalist countries undertake nationalisation as a means to preserve the sum of capital at the expense of individual capitalists, and undertake privatisation as a means to boost the sum of capital through boosting individual capital, then in Russia’s case both are routine means to rob working people irregardless of any structures or reforms, even Putin claims otherwise.

Prior to the crisis, a multitude of so-called state corporations mushroomed, irrigated by a heavy rain of petrodollars. These allegedly occupied priority niches of the economy. For example, Chubais (the chief “privatiser” of the early ‘90s) became the director of “Rosnano”, the state corporation in the much popularised nano-technologies niche. But all niches and sectors remained as deserted as before, even if the likes of Chubais have attracted countless millions (state enterprise directors had a salary higher than most private directors) from public funds, which then disappeared down the black hole of their pockets. Nowadays these state corporations are out of favour and a

wave of privatisation is looming; it appears that money flows will be diverted from one pocket and into the other.

At one point, Putin was hailed as the new Ivan III, the “gatherer of Russian lands”. But in the epoch of late capitalism, the Russian ruling class has rendered incapable of any kind of modernisation of their country in their own interests, unlike what the country saw under Peter the Great and Stalin. In fact, the contemporary Russian ruling class is consciously reverting its country into a semi-colony; for example, in September 2009, the new president Medvedev and the Chinese chairman Hu Jintao agreed on a plan of cooperation until 2018 regarding the exploitation of Siberian raw materials for the benefit of new industries producing furniture, lead, electrical appliances, cars and other commodities in China’s North-East. In this act of providing Siberia to China, Russia has de jure accepted its status as China’s raw material periphery and semi-colony, evidently due to its own inability of independent investment into national processing capacities.

The Russian ruling class is far from being able to modernise its economy for the sake of long-term profits, and is even further from constructing same kind of democratic facade for its rule. All liberal hopes invested into creating a Russian liberal democracy are unwitting fallacies in the conditions of the direct state and business symbiosis that percolates down to the individual level. The Russian working class, which has had quite enough of bourgeois democracy in its sham Russian incarnation, is of great disappointment to the liberals, for whom a revolt of the masses is worse than a sadistic tsar. Such illiberal conditions certainly won’t help the success of pro-(bourgeois)democratic slogans, which the likes of some Trotskyites uphold. In fact, such slogans merely distract the working class from a direct confrontation with its class enemy outside the hostile field of bourgeois legality.

In some aspects modern Russia reminds us of Tsarist Russia of the early XX century; the same economic backwardness

(with petrodollars instead of agrodollars), the same political impotence. When a rise of welfare of the oppressed is no longer possible, and legal traps such as “democracy” or “trade unions” no longer function, the oppressive yet impotent regime is in for a rough ride, 1917-style.

Fear already grips them. During a meeting with the Civic Chamber, Mr. Surkov, the regime’s ideological architect, explained that the main idea behind Medvedev’s article in a football nationalist manner titled “Go Russia!” is a smooth modernisation of the country and an attempt to avoid the repeat of 1917. A member of the chamber, Mr. Svanidze, has full-heartedly agreed with Surkov: “Reform can come only from above – we don’t feel a constructive impulse from below, only a brewing revolt”.

They fear the masses, but remain just as impotent. They have no energy for modernisation. “The economy can be restored through the boom and bust cycle”, according to a prediction by the firm “Renaissance Capital”.

It seems likely that after the 2009 plunge, GDP growth will hover around 6% in 2010-2012. But after a brief revitalisation in 2010, a peak in 2011 and a slowdown in 2012, 2013 will bring a new contraction. A new crisis in Russian economy will probably emerge in response to global economic conjuncture when new hastily inflated bubbles burst.

The “W” scenario (fall, rise, fall) is also predicted by the CMASF (the Center for Macroeconomic Analysis and Short-Term Forecasting); according to its economist Mr. Belousov, “The bubble will go through another cycle, as the existing imbalances are here to stay”. He also predicts that the next “W” will appear in the years 2016 and 2017.

We have no way to tell if 2017 will be marked by a social upheaval, but we better prepare for the worst (or best) turn of events. To be prepared we must know the history of victories and defeats of past upheavals, their strengths and weaknesses, and everything great and inspiring that they contained within.