

# Kremlin Scrambles To Calm Angry Pensioners

by Rachel Douglas

As an avowed believer in market forces, Alexei Kudrin does not usually blame major events on shadowy provocateurs. On Jan. 19, however, Russian Finance Minister Kudrin lashed out against surging street protests by thousands of Russians, most of them elderly. "It's not pensioners who are organizing all this," he charged, but rather the Communist Party and nationalist extremists, who, he said, had posted on the Internet, maps of what highways to blockade—as if most Russian 70-year-olds go online to get their marching orders!

What had hit, was the so-called "cash-for-benefits" laws, rushed through the Federal Assembly last summer, which eliminate many subsidies for social services, as international financial institutions have demanded of Russia for years. There were warnings at the time, that compensating in-kind benefits—free medical care and public transport for pensioners, and 50% subsidies of housing, utilities, and phone bills for retirees and the disabled—with cash payments equivalent to \$25 or \$40 per month, would come as a shock to millions of people who received them. *EIR* reported that this entitlements conversion, and related social-sector reforms in Russia, originated with the same clique of economic hit men, like José Piñera of the U.S.-based Cato Institute and Chile's Pinochet regime, who have targetted pension payments for looting, all over the world (*EIR*, May 14, 2004, July 30, 2004).

The shock hit on Jan. 10, after the holidays, when public transportation fare-collectors began to demand money from pensioners, military personnel, police, and other former entitlement recipients. Thousands of older citizens took to the streets in protest. By Jan. 16, cumulatively 10,000 people had blocked highways or protested on the streets in the Moscow Region, surrounding the capital. Ten to fifteen thousand people jammed central St. Petersburg on Jan. 15. Hundreds or thousands turned out in 80 of Russia's 89 regions. The Patriarch of the Russian Orthodox Church appealed to prevent the reforms from hurting the people. Two leading generals warned that military men are also unhappy about the vanished benefits.

On Jan. 17, President Vladimir Putin publicly criticized how the new policy had been implemented, but did not back off from the policy as such. When Putin spoke to the Cabinet on the 17th, he blamed the government and the heads of regions, for failing to prepare for implementation of the measures. He called for regions to sell a monthly transit pass, costing no more than the amount of cash compensation people

are getting. In addition, he said that a general old-age pension increase of 100 rubles/month, scheduled for April 1, should be moved up to March 1, and doubled (to about \$8).

Leaders of several regions also acted to cool the protests. Governor Boris Gromov of the Moscow Region negotiated with Moscow City to restore free commuter-train travel for previous entitlement-recipients. Tatarstan President Mintimer Shaimiyev promised on Jan. 13, to double the promised cash compensation. In Kemerovo Region, central Siberia, Gov. Aman Tuleyev reinstated free public transportation for pensioners.

## More To Come

There will be a second wave of protest in February, predicted *Nezavisimaya Gazeta* on Jan. 17, because pensioners and others will start to receive utilities and rent bills that reflect the elimination of subsidies. *NG* projected that these rates will increase 35-40% in most regions. Owned by exiled tycoon Boris Berezovsky, *Nezavisimaya* often depicts worst-case scenarios for President Putin, including play-up earlier in January of a Morgan Stanley-published prediction of Putin's ouster this year. But in this case, the government daily *Rossiyskaya Gazeta* concurred with *NG*, printing an estimate on Jan. 16, that the housing and utilities increase will be between 15-35%, leading to protests.

Also warning that harder blows will fall, was State Duma member and economist Sergei Glazyev. In a Jan. 19 speech, he called the entitlement cuts "only the first buds of spring." Glazyev warned, "Greater unpleasantness lies ahead. The reform of health care will lead to a sharp increase in the cost of medical care. Millions of chronically ill people will be unable to obtain life-sustaining medication. Housing code reform lies ahead; it will legalize evictions. . . . A real-estate tax lies ahead, which, coming on top of the utilities rate increases, will strike an even bigger blow against our citizens' pocketbooks. The commercialization of education and health care lie ahead."

Glazyev has called for a national referendum on these policies. He told the meeting that "free competition" is inappropriate for the social sector, "because the goods and services, provided by the social sector, are not for the sake of current profit, but for the development of the nation, the development of society, and the people's welfare." He warned that some people want to exploit the current crisis, "to bring to power a new Russian Pinochet, instead of the current Russian President."

Some Russian commentators accused President Putin of preparing to scapegoat Prime Minister Fradkov and/or Minister of Health and Social Welfare Zurabov for the protests, while retaining neo-liberal cabinet members like Kudrin. Kudrin, however, is on the hot seat, assigned by Putin to come up with financial help for the regions, to cool out the protests. At a Jan. 24 cabinet meeting, Kudrin reported on the many hours he spent convincing regional governors to agree to pro-

vide equal conditions for “Federal” and “local” benefit-users (last summer’s Law No. 122 created a “Federal” category of World War II invalids, victims of political oppression, etc., while leaving the cash disbursements for all others up to the regions). Kudrin did not reveal how much Federal funding he had had to pledge, to get representatives of 72 regions to sign the agreement, but an official in his ministry told the press that the additional compensation could cost 8.5 billion rubles (\$283 million), of which 5 billion rubles would come from Russia’s so-called Stabilization Fund. Hitherto, Kudrin was on record as holding that this multi-billion-dollar fund, comprised of revenues from taxation of oil exports, should be spent to pay the foreign debt, and for no other purpose.