

Between Gaidar and Keynes

By [Boris Kagarlitsky](#)

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Looking at the hordes of shoppers besieging Moscow stores this holiday season, a person might wonder why there has been so much talk of a crisis. According to the State Statistics Service, nominal salaries in a number of sectors have risen by almost 10 times since 2000. Of course, this should be adjusted for inflation. In a recent report, the Institute for Global Research and Social Movements found that the dollar depreciated against gold by more than 300 percent over that period, and the ruble fell in relation to the dollar. Yet the result is still impressive: Real incomes in some sectors have almost doubled over the past 12 years.

Salaries have grown not only in the raw materials industry, but also in such public sector fields as medicine and education. But a certain imbalance results when income growth in some sectors outstrips growth in others. For example, from 2000 to 2010, salaries in the raw materials industry were almost double those in manufacturing. Similarly, indicators for "average salaries" do not reflect the fact that in each individual sector there is a disproportionately wide gap between salaries at the top and bottom of the pay scale.

The growth of nominal salaries in Russia from 2000 to 2010 has fundamentally changed

the situation in the economy, increasing both the importance of the domestic market and people's connection with it. This, in turn, has led to a major debate over which course the country should pursue in its economic policy.

Yet the neo-liberal faction in the government considers this growth a signal that it can begin shifting some of the more financially burdensome social obligations left from the Soviet system of universal state funding over to the private sector. But their more moderate opponents argue that drastic changes to social services will destabilize the political situation in the country and spark mass protests.

While most Russians are categorically opposed to neoliberal economic policies, the government has gone back and forth between Keynesian and neoliberal measures since the beginning of the global crisis. Frightened by mass protests that erupted a year ago, the authorities took a sharp turn toward the left in early 2012 by increasing social spending and delaying the next set of market reforms. But the protesters' waning influence emboldened the authorities to adopt a more liberal course in the second half of the year. Recent steps to commercialize social services are eating away at the additional income Russians are earning, resulting in reduced demand in other sectors.

Those measures also triggered a new wave of protests in the provinces. Unlike earlier rallies in the major cities, the people attending those demonstrations were not united by a common set of demands or by calls for the leadership to resign.

You would think that the economic achievements of the past decade would have led to an easing of tensions, but in reality it has led to a heated debate over government policy in the social sphere. If leaders want to tone down the conflict, they must take steps to correct the imbalance between the lowest paid professions and occupations and those at the top.

Unfortunately, the implementation of such a plan would require a greater state regulation of the economy and serious changes to the country's political system. Whichever side wins in the struggle to determine Russia's economic course, politics will play a central role in its implementation.

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