NO TO WAR, NO TO SANCTIONS!

An in-depth analysis by Gianpiero Laurenzano, national coordinator of Potere al Popolo.

Imagine an economy losing 40% of its purchasing power on imported goods within a week and you begin to understand the price the Russian working classes will pay as a result of the economic and trade sanctions imposed this week. Indeed the situation is likely to be even worse, as Russian wages and financial savings are nowhere near as high as those of working people in Europe.

Many people have a misperception of Russia and imagine it as an economic superpower but in reality its economy is far smaller than we often expect. Despite being the largest country globally in terms of size, being very rich in raw materials and having a population of 144 million, Russia is in fact only the twelfth largest economy in the world, with a GDP of just 1,650 billion dollars. To give an idea of how this compares to the major economies, Italy's GDP is $ 2,120 billion, China's is $ 16,860 billion, and the USA's $ 22,940 billion.

On top of this, we also need to take into account the way in which wealth is distributed, which makes for a shocking statistic: just 3% of Russians own 89% of Russia's financial assets and 10% own 80% of total wealth.

As a result, according to data from the Russian Federal State Statistics Service, 80% of the Russian families were already struggling to make ends meet before this crisis began. 52.9% were unable to meet unexpected expenses, including health and household expenses, and 10.1% could not afford to eat meat or fish every other day.

We should point out that these numbers must be taken with a pinch of salt. It is more than possible that they have been 'adjusted' to avoid embarrassment for the Russian government. In addition, the situation is the consequence, among other things, of policy decisions including a highly regressive tax system characterised by a flat-tax, something ultra-liberals in the West have also long been keen to introduce.

Regardless of how precise the data is, however, we can be sure that the sanctions the West is imposing on Russia will have a devastating effect on the population. This is a population held hostage by a class of oligarchs who since the birth of the new Russian state in the 90s have been looting the country of its enormous wealth, through mass privatisation of former public goods and the imposition of an economic system based on extractivism.

As Nobel laureate Paul Krugman points out, "Filip Novokmet, Thomas Piketty and Gabriel Zucman have pointed out that Russia has run huge trade surpluses every year since the early 1990s, which should have led to a large accumulation of assets abroad. Yet official statistics show that Russia has only moderately more offshore assets than liabilities. How can this be possible? The obvious explanation is that wealthy Russians have shielded large sums and parked them in private offshore accounts."
So if the Russian national accounts themselves don’t add up this is proof that over the last 30 years the Russian people have continued to be robbed of their wealth in a manner unprecedented in history. To give an idea of the scale, in 2015 it was estimated that Russian oligarchs had assets abroad equal to 85% of the country’s GDP.

At this point, therefore, you may well ask why, instead of starving an entire population, we can’t simply attack the oligarchs more.

Theoretically, there would be a legal basis for this, and our governments have paid lip service to it. But as Krugman explains so well, it is difficult for this to actually happen, for two reasons: "First, a number of influential people, both in business and in politics, are deeply entangled financially with Russian kleptocrats. This is particularly true in Britain. Secondly, it will be difficult to prosecute laundered Russian money without making life more difficult for all money launderers, wherever they come from. And while Russian plutocrats may be the world champions in that sport, they are hardly unique: ultra-rich people all over the world have money stashed in offshore accounts."

As such, the moral of the story is that “taking effective action against Putin's greatest vulnerability will require addressing and overcoming the corruption of the West.”

It seems unlikely that politicians in advanced capitalist countries will be willing to go against the interests of the social class they represent in order to target Putin and the oligarchs more effectively.

Sanctions, like bombs, are an instrument of war and it is, as usual, the working people who will be hit hardest and suffer the most.

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