

# War and Crisis

## Antithesi

### Economic crisis: stagflation and rising debt

The “Great Recession” that followed the financial collapse of 2008 was addressed by the central banks of the US and the UK through the reduction of the interest rates and the implementation of the so-called “quantitative easing” programs.<sup>1</sup> Huge amounts of money were injected into the market to support capitalist accumulation, resulting in an increase in all forms of global debt as a percentage of the global GDP: an increase in government debt, corporate debt and household debt.<sup>2</sup> At the same time, there has been no real resolution of the overaccumulation of capital, since the global rate of investment has not returned to pre-2008 levels – on the contrary, fixed capital investment rates have never been as low as they were in the 2010s: in the US the annual rate was around 2% and in the euro area around 1%.<sup>3</sup> The capitalists’ refusal to invest in capitalist production is due to its low profitability compared with speculative investments in the stock and the real estate markets, the main forms of “fictitious capital”.<sup>4</sup> The low profitability of productive investment is in turn the result of a number of factors: the increase in the cost of fixed and variable capital due to the destruction of the natural environment, the increase in the value composition of capital due to the automation of industrial production, the insufficient in-

crease in the degree of exploitation of labour power due to the barriers to the reduction of the direct and social wage imposed by existing social expectations / struggles and by the needs of the reproduction of labour power and of the legitimization of the capitalist state, as well as a number of other factors which cannot be analyzed here.

The outbreak of the SARS-CoV-2 pandemic –itself a product of the way in which capitalist production is related to the non-human world, i.e. a product of the capitalist plundering and devaluation of nature– has therefore occurred at a time when even the most dynamic economies were struggling to escape from prolonged economic **stagflation** and excessively low growth rates. Faced with the as yet unknown magnitude of the danger the virus presented to capitalist social reproduction, the managers of the global economy initially chose to freeze a significant part of economic activity, including international supply chains. The resulting deep recession and the threat of collapse were countered again by injecting even more money into the global economy, firstly through the continuation and expansion of quantitative easing on the part of the central banks and secondly through state (and in the case of the EU, European) subsidies, primarily provided to businesses and to a lesser extent to workers.

As expected, these measures to support the economy could not reverse the deeper problems of profitability and of the expanded reproduction of capital at a global level, as similar measures were not successful in the decade following 2008. The form that the crisis took after the brief recovery in 2021 was the rise in commodity prices and of inflation in general combined with a trend of economic stagnation, i.e. the phenomenon of **stagflation**. Inflation did not occur because of an alleged wage and price spiral. Wages have remained almost stagnant even in nominal terms in the European Union. On the contrary, the increase in the prices of consumer goods seems to be due to the increase of markups by capitalist enterprises to maintain their profitability.

This increase in costs and prices has originally occurred because global production and distribution has not adjusted to the sharp increase in spending on durable goods from 2021 onwards. Although the supply of **raw materials** and shipping recovered quickly to the required supply levels, supply problems persisted both because money injections by central banks and governments were not sufficiently channeled into investment in production and because of a long-term trend towards reducing inventories in order to lower the cost of fixed capital, which made supply chains more vulnerable to disruptions. In addition, the fear of shortages has led to speculative practices of withdrawing and hiding raw materials from the market.<sup>5</sup> The

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1. In the Eurozone, the European Central Bank initially pursued a different policy, raising interest rates in 2008 and 2011. Due to the recession that was triggered and the subsequent worsening of the sovereign debt crisis in the countries of the European South –and after having ensured the imposition of austerity programs in these countries– it gradually reversed course, first by cutting interest rates sharply from 2012 to 2013 and then by introducing the PSPP and CSPP quantitative easing programs for the purchase of government and corporate bonds.

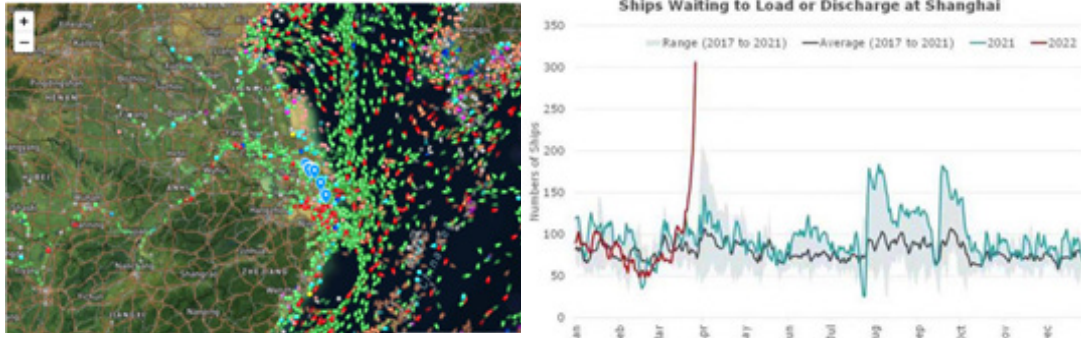
2. Vitor Gaspar, Paulo Medas, and Roberto Perrelli, “Global Debt Reaches a Record \$226 Trillion”, *IMF Blog*, 15 December 2021. According to the article “Don’t fight for ‘your’ country” by the comrades of Internationalist Perspective, global debt has increased more than three times since 2000 and 71% since 2008.

3. Michael Roberts, “Trade wars and class wars”, *Michael Roberts Blog*, 16 June 2020; S. Tombazos, “Fictitious capital and quantitative easing”, *commune.org*, 7 March 2021 (in Greek).

4. Debt and equity securities of all kinds are fictitious capital because they are simply a claim on future surplus value. Even if the amount of money paid, for example, by the shareholders of an enterprise is used to purchase raw materials, machinery and labour, i.e. if it is **used** as capital in that enterprise, this capital does not exist twice, once as the value of the property titles and a second time in the form of machinery, wages, etc. Consequently, with the formation of fictitious capital, capital appears to be doubled or even tripled fictitiously, depending on the different securities which give rise to claims on its surplus value. Moreover, the market value of these assets can be artificially increased and inflated so that it loses all relation to the capital actually used in production, as has happened, for example, because of the policy of quantitative easing.

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5. United Nations Conference on Trade and Development, “Tapering in a Time of Conflict”, *Trade and Development Report*



**Figure 1.** The left map shows the ships waiting to dock at the port of Shanghai and the right chart shows with red color the number of ships waiting to load / discharge after January 2022 and its exponential increase at the end of March when a new lockdown was implemented in Shanghai.

skyrocketing energy prices even before the war in Ukraine have played a major role in the price increases while the ongoing zero-covid policy in China and the lockdown in Shanghai have created a new tremendous bottleneck in the global supply chain.

More generally, inflation is the situation when money income grows faster than real income, i.e. when there is too much money relative to available commodities. Injecting money cannot automatically increase supply. Supply can only be increased by additional production and therefore does not essentially depend on the quantity of money but on the **profitability of capital**.<sup>6</sup> The state attempts through the creation of money by the central bank to bolster productive investment. Such investment, however, necessitates a sufficient rate of profit. Therefore, if the injection of money does not lead to an increase in production it may lead to an increase in the price of available commodities.

This happened in 1923 in Germany when the government printed money to deal with the debt crisis brought about by the war reparations which were stipulated by the Treaty of Versailles. Although there has been a colossal increase in the quantity of money over the last 15 years, no increase of prices comparable to that of 1923 has occurred until last year. Instead, the “problem” has been weak growth and deflation. Very briefly, the reason was this: the increase in the quantity of money was not directed, as we have said, to investment in production, but provided liquidity to businesses and banks to repay loans and to increase the price of stocks and dividends through buybacks. The money that was printed did not go to the workers and the available nominal income of consumers did not increase.

*Update, March 2022.* Bottlenecks and shortages were also aggravated by **demand** issues, in particular the change in the mix between services and goods. Demand for goods increased disproportionately (e.g. computers) while production of e.g. semi-conductors remained stationary, unable to keep up with the increase in demand. .

6. Paul Mattick, *Marx and Keynes: The limits of mixed economy*, 1969 and Anwar Shaikh, Thanassis Maniatis kai Nikos Petralias, “Explaining Inflation and Unemployment: An Alternative to Neoliberal Economic Theory”, in *Contemporary Economic Theory: Radical Critiques of Neoliberalism* (ed. Andriana Vlachou), Springer, 1999, p. 89-112.

To a certain extent, inflation may be desirable by capital in times of crisis since wages are usually lagging behind the increase in the prices of other commodities, thus propping up the profitability of firms. Therefore, inflation is a transfer of income from the great mass of the population to large firms. However, galloping inflation destroys confidence in the currency and harms rent-seekers and savers, i.e. a large part of the capitalist class. Monetary instability can provoke the concealment of goods from the market, an uncontrolled spiral of prices and wages, and ultimately the collapse of all economic activity. Moreover, galloping inflation can also lead to the outbreak of class struggles as workers expect a correspondence between wages and prices on the basis of the given value of labour power. This has currently happened in many countries all over the world.

For these reasons, the state intervenes to control inflation by direct or indirect methods. A direct method is the imposition of price controls on goods, such as the caps imposed in Greece on the wholesale price of electricity, as the soaring price of electricity threatens not only the income of the working class but also the functioning of capitalist enterprises in general. The indirect method is to increase interest rates and reduce government spending in order to trigger a recession. Both inflationary and deflationary policies attempt to shift the costs of the crisis onto the backs of the proletariat. In the current historical period, the imposition of price controls is generally considered an unacceptable intervention of the state in the market and only occurs in exceptional cases. Therefore, the main method which is followed is the increase of interest rates.

As the UNCTAD<sup>7</sup> report notes, the pandemic economic stimulus programs are currently giving way to monetary and fiscal austerity policies: on the one hand, the central banks are raising interest rates and are selling assets acquired during the period of quantitative easing; on the other hand, governments are heading towards deficit reduction through tax increases and spending cuts. High interest rates reduce the real income of those burdened with floating rate loans and increase the cost of borrowing for businesses. As a result they lead to the decrease of consumption and investment. States are moving towards this direction as inflation and monetary instability have wors-

7. United Nations Conference on Trade and Development, *op. cit.*

ened since the start of the war in Ukraine. The outcome will be a reduction in the rate of growth on a global level. Given the increased levels of debt due to the pandemic it is certain that defaults will erupt and austerity programs will be imposed in a number of “developing” countries. This has already occurred in Sri Lanka and it is very likely that other countries will follow. The UN report itself notes that this situation creates a high likelihood of “social unrest and discontent”, which is already expanding. At the same time, however, this is the classic approach for exiting the crisis: the devaluation and destruction of capital through a recession.

Before attempting to explain the reasons and motives behind the invasion of Ukraine by Russia and the Ukrainian government’s choice to fight a war to the “bitter end”, it is necessary to move from the level of the global economy to the level of national social formations and the relationship between them.

### The situation in Russia

It should first be noted that Russia’s economic recovery after the period of post-Soviet collapse began in 1999 with Putin’s rise to power and the war in Chechnya. It was the ideology of national unity vis-à-vis the war that allowed him to win the elections, given that he had previously been handed power and the nomination by Yeltsin, whose government was at the time confronted with huge social unrest and strikes, in a situation when, after the Asian crisis, the ruble had lost four-fifths of its value and barter had become prevalent as a mode of economic exchange. The period of rapid growth in Russia that started at that time (at a rate of 7% per year) came to an abrupt end in 2008, just one year after GDP and real wages had returned to Soviet Union levels.

To a large extent, the recovery of the Russian economy after 1999 was based on the rise in the price of primary commodities (fuels, minerals and agricultural products) and the huge devaluation of the ruble, which made domestic industrial products much more competitive, resulting in the growth of firms that could compete on the interna-

tional market in the fields of metallurgy, aeronautics, nanotechnology, automotive, nuclear energy and, of course, arms. However, exports are still today still based on hydrocarbons (about 60% of the total exports) and the defense industry faces problems of overproduction. The fact that Russia’s exports continue to be based mainly on primary commodities (hydrocarbons, metals and cereals) makes its economy more vulnerable to price fluctuations on the world market. In addition, the full liberalization of capital movements introduced in 2006 made its economy particularly vulnerable to the 2008 financial crisis, resulting in a recession of 7.8% in 2009.

After a brief recovery period from 2010 to 2012, the fall in the price of primary commodities from 2014 to 2020 led to a new stagnation of the Russian economy in the last decade, with low or even negative growth rates from 2015 onwards (see Graphs 1 and 2). Fixed capital and industrial production are still below the 1990 level if hydrocarbons are excluded.<sup>8</sup>

Therefore, in the previous years, Russia’s national capital and its political representatives were up against the wall. At home, economic stagnation, great inequalities and growing dissatisfaction with Putin’s government, which were even expressed in mass demonstrations in 2018 against the neoliberal reform of the pension system.<sup>9</sup> Abroad, a relative decline of the Russian economy relative to the capitalist center, the loss of privileged markets and of geopolitical power with Ukraine’s rapprochement towards the Euro-Atlantic bloc, an attempt to change the balance of power through military power in Crimea and Donbass, and the imposition of economic sanctions by the West since 2014.<sup>10</sup>

8. Michael Roberts, “Ukraine: The Economic Consequences of the War”, *Brooklyn Rail*, Field Notes, March 2022.

9. C. Durand, *op.cit.*

10. As mentioned in the *Internationalist Perspective* article, *op.cit.* “For however global the world has become, it is a world based on competition. Commercial competition that becomes military competition, cold and hot war, as circumstances require. Circumstances like loss of power, loss or potential gains of markets, economic crisis. [...] The cold war did not end. At most, there was a pause. The Warsaw Pact disappeared but NATO did not. Yeltsin suggested that Russia should also become a member of it but of course that was not possible: the NATO’s *raison d’être* was to subdue Russia. A fierce discussion ensued about whether NATO was still needed now that Russia had also become a capitalist democratic country. The question was answered affirmatively in practice. NATO advanced to Russia’s borders, breaking earlier promises. Fourteen ex-Warsaw pact countries were integrated in the anti-Russian alliance. American missile bases were installed in Poland and Romania. Capturing Ukraine was the latest phase of that offensive. **For profit but even more so to contain Russia.** Ukraine did not yet become a NATO member but began to cooperate militarily with the West. [...] The expansion of NATO meant a huge market expansion for the American (and other Western) arms industry because new members are required to make their arsenals conform to NATO standards. In order to meet these norms Poland’s military spending increased with 60% from 2011 to 2020 and Hungary’s with 133% from 2014 to 2020. [Moreover, within the conditions of war, the US has found the opportunity to promote LNG produced in an environmentally destructive way (fracking) while already facing



**Graph 1.** Russia’s GDP growth rate (Source: World Bank)



**Graph 2.** Primary sector commodity price index (Source: IMF, Federal Reserve Bank of the United States, St. Louis Branch)

The huge increase in primary commodity prices from 2021 onwards offered Russia economic surpluses of 9% of GDP in 2021 which enabled the Russian government to finance the invasion and to be able to keep its currency relatively stable against new economic sanctions.<sup>11</sup> It is therefore clear that Putin’s government considered that conditions were particularly favourable for reversing the economic, geopolitical, political and social crisis in Russia through war.

On the one hand, the war option attempts once more to consolidate national unity, to ensure submission and to reverse the social delegitimization of the regime by blaming the deteriorating conditions on the “foreign enemy”. *“Militarism is a method of redistribution in favour of capital. Not only through increased spending on the armed forces but as a method of lowering living standards and aspirations and thus a gigantic increase in the degree of exploitation”*.<sup>12</sup>

On the other hand, the war option solves the problem of overproduction of the Russian arms industry and constitutes an attempt to restore the economic and geopolitical power of the country by military means. The seizure of Ukraine’s rich resources (minerals, natural gas, grain, industrial facilities, as well as, cheap and skilled labour) is obviously not an insignificant factor.

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issues of overproduction by aggressively seeking new markets.]. [...]But the NATO expansion was also driven by the realization that Russia, with its military might and especially its nuclear arsenal, remained a potential threat to the pax americana. It is still the only country against which the US cannot wage war against without risking quasi-total destruction itself. Just like during the cold war. Which thus did not end. Washington’s strategy has remained the same: containment. To contain Russia and to reduce its sphere of influence, to weaken its power without entering into direct conflict with it. [...]The enemy can no longer be portrayed as the ‘communist danger’ but that does not make Russia an ordinary capitalist country like ours. The rich there are not capitalists like ours but “oligarchs.” Who are they, these oligarchs? Billionaires who became rich thanks to corruption, exploitation and speculation and who like to show off their fortune in ostentatious luxury consumption. In other words, capitalists. The adage ‘Behind every great fortune there is a great crime’ was not invented in Russia. But there “the great crime” is still quite fresh”.

11. M. Roberts, *op. cit.*

12. Bob Rowthorn, “Rosa Luxemburg and the Political Economy of Militarism”, *Capitalism, Conflict and Inflation*, 1980.

Under conditions of deep capitalist crisis, each country is trying to pass the cost to the others.<sup>13</sup> The individual capitalist experiences the recession as a decline in the demand for his commodities. The individual nation feels it as a decline of production caused by a lack of markets, and defends itself against foreign competition by trying to secure and enlarge its own market at the expense of other nations. The need for the external expansion of capital to prevent its internal contraction takes the form of aggressive imperialism and imperialist competition. National capitals compete for raw materials, privileged markets and outlets for capital exports; governments pay great costs for the military interventions, directly or indirectly, for this purpose. They pay them in the hope of getting much more. Such a move may fail and the entire war effort may simply serve certain particular interests (e.g. arms producers and dealers). If, however, the war effort succeeds, these not directly productive costs turn out to be an instrument for the production of capital. Faced with the danger of stagnation, the Russian capitalist state seeks to ensure its external expansion. Spending for imperialist purposes may end up creating conditions for an accelerated expansion of domestic capital.

According to Volodymyr Ischenko<sup>14</sup> a more specific interpretation of the causes of the military invasion of Ukraine can be given, complementing the above: *“I believe that the war is being waged in the interests of the Russian ruling class as a whole. To understand this, we must ask ourselves: what kind of ruling class is this? Researchers call its members ‘political capitalists’ The Russian ruling class are businessmen whose competitive advantages on the market*

13. As Marx has written: “So long as things go well, competition effects an operating fraternity of the capitalist class, as we have seen in the case of the equalisation of the general rate of profit, so that each shares in the common loot in proportion to the size of his respective investment. But as soon as it no longer is a question of sharing profits, but of sharing losses, everyone tries to reduce his own share to a minimum and to shove it off upon another. The class, as such, must inevitably lose. How much the individual capitalist must bear of the loss, *i.e.*, to what extent he must share in it at all, is decided by strength and cunning, and competition then becomes a fight among hostile brothers”. Karl Marx, *Capital vol. 3*.

14. Discussion with Ilya Matveev, Russia’s War on Ukraine: Imperial Ideology or Class Interest?, <https://lefteast.org/russia-war-on-ukraine-imperial-ideology-or-class-interest/>

are not related to advanced technology or cheap labor, but to the political positions they occupy in the state. An example is corruption or the informal control of political elites over enterprises. Hence, the Russian elite's preoccupation with protecting sovereignty. After all, if you make money by taking advantage of the political opportunities of the state, you must have monopoly power over the state. And this power can be threatened, for example, by transnational capital or influential groups within the country. What I'm saying is exactly in line with the Marxist theory of Bonapartism that Ilya talks about. Because Bonapartism is nothing more than a regime in which the state, independent of any particular factions of capital, forcefully defends the interests of the class of big capitalists as a whole against threats from particular capitalists or particular factions of that class. In this sense, particular capitalists are now losing out in profits because of war, but war in the long run serves the interests of the class as a whole.

Additionally, the war may be aimed at solving some of the fundamental problems of the Bonapartist regime itself. More precisely, its preservation, its reproduction. How to guarantee the stability of this regime? Usually, this stability is threatened when one ruler is replaced by another. How can you guarantee the personalized power during such a period? Especially when there are protests all around, as in Belarus or Kazakhstan? These countries' regimes have survived thanks to Putin's help. But if such protests happen in Russia, who would save Putin and his regime? War is needed to guarantee the continuity of power so that the incumbent won't be killed by his own successors. The regime is now becoming more repressive, more mobilized, more ideological. The war is aimed at strengthening it".

In any case, Putin's government is taking a great gamble. The possibility of military defeat and economic disaster due to unprecedented sanctions would be absolutely devastating for Russian capital and its political representatives. The generalized misery and the heavy human cost inflicted to the Russian proletariat by the continuation of the war in such a case could lead to the delegitimization of Putin's government and to a social uprising against the war and the capitalist warmongers, since it will lead to the refutation of the promise of "stability" from which Putin's government derives its legitimization.<sup>15</sup>

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15. On the other hand, sanctions are likely to lead to further centralization and the complete identification of Russian capital with Putin's state apparatus. The lack of access of Russian capitalists to their assets outside Russia due to the sanctions ties them more deeply to Putin because their wealth is now only accessible through maintaining good relations with him. Also, the worsening conditions for the proletariat may have a corresponding interpretation at home: attribute their suffering to Western sanctions rather than to their government. Historically speaking, sanctions often do not lead to the social delegitimation of the regime, but instead to its strengthening: a classic example is Hitler's Germany in the 1930s. As noted by Volodymyr Ischenko, *op. cit.* "there are experts who believe that the war will lead to terrible economic consequences for Russia. And there are other experts who believe that Russia will be able to overcome its economic dependence on the West and eventually become stronger. Through import substitution and reorientation of exports. Of course, from the point of view of risk prevention, war is illogical. But what if the problem is that risk-aversion has never saved Bonapartist regimes

In addition to the risk of internal destabilization, the fierce response from NATO and Ukraine both on the military level, through the massive deployment of state-of-the-art weapons systems in Ukraine, the deployment of tens of thousands of soldiers in Eastern European countries and the re-militarization of Germany, and on the economic level, with unprecedented sanctions that go as far as freezing the reserves of Russia's central bank – a measure previously only applied against Afghanistan after the Taliban took power – has put the possibility of nuclear war back on the agenda as a possible outcome of the conflict in Ukraine.<sup>16</sup> The fact that such a development is absolutely irrational not only from the standpoint of the needs and of the life of **humanity** but also from the standpoint of the overall reproduction of the capitalist world cannot reassure us. No capitalist wants the damage of recession and yet unstoppable competition leads to crisis and recession. In other words, "normal" behaviour (instrumentally rational behaviour) causes the "anomaly" of the crisis. **One cannot be rational in an irrational world** (Mattick). The issue is no different in the case of war. The unrelenting drive to gain and maintain political and economic domination is the outcome and sum total of the anti-social behaviour that characterizes social life under capitalism. The recognition that war may be suicidal, which is not even unanimous, does not eliminate the tendency towards a new world war. Those who make political decisions, by simply taking the "right" decisions as determined by the particular needs of their countries and the security of their social structures, are likely to destroy both themselves and a large part of the world.

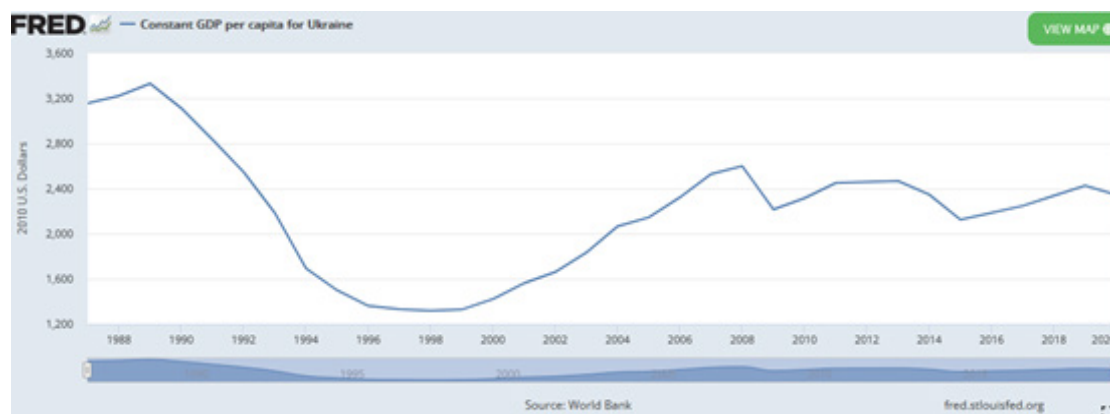
### The situation in Ukraine

In order to give an interpretation of the political developments in Ukraine since 2013, it is necessary, first and foremost, in this case too, to present some basic economic data. First of all, unlike Russia, Ukraine never really recovered after the fall of the USSR. Its population fell from 53 to 42 million between 1990 and 2021, while its GDP per capita at constant prices fell by 30% in the same period! (see Graph 3). As the graph shows, in 1998, per capita income had almost fallen to a third of the respective income in 1989. This is an extreme social catastrophe without precedent. If one compares the course of the Ukrainian economy from 1999 to 2008 with that of Russia, a relatively similar course will be observed: it was a period of recovery based on a growing global demand for the products of Ukrainian industry (mainly metallurgical products) due to the upward global trend and the growth of domestic

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from collapse? What if a regime needs to fundamentally change politics, economics, and society in order to remain in power? War is a good chance for just such a transformation. This said, of course, incorrect calculations and forecasts, the clearly misguided expectation that Russia will quickly conquer Ukraine, can introduce a lot of unpredictability into the process of regime consolidation and succession of power".

16. Pavlos Roufos, "Solidarity with Ukraine doesn't mean calling for more war", *Jacobin*, March 2022.



**Graph 3.** GDP per capita in Ukraine 1987-2020 [Source: World Bank, Federal Reserve Bank of the United States, St. Louis Branch]

consumption through credit expansion (i.e. the increase in household borrowing).

After 2008, Ukraine's economy took a completely different course. As early as 2005, after the "Orange Revolution", Russia had been exerting great economic pressure on Ukraine through the price of gas, which is a major cost factor for Ukrainian industry.<sup>17</sup> This pressure was a first economic measure to prevent Ukraine's rapprochement with the Euro-Atlantic bloc. The financial crisis of 2008 turned into a sovereign debt crisis in Ukraine due to a decline in exports which led to a banking crisis. To deal with the debt crisis, the Ukrainian government received a loan of \$16.4 billion at the end of 2008 from the IMF on the condition of imposing a "stabilization program", i.e. a program to bleed the proletariat (devaluation of the currency, abolition of subsidies and increase in energy prices, reduction of taxes and expansion of the tax base, non-implementation of the promised increase in the minimum wage, restraint on public sector wages and pensions, etc.).

In 2012 there was a new increase in Ukraine's trade deficit due to declining metallurgical exports and low prices, while in 2013 Ukraine had to repay the IMF.<sup>18</sup> Ukraine's economic situation got even worse in 2013 when Russia banned imports from Ukraine, bringing its industry to its knees, in order to block the signing of a trade agreement with the EU. Given that 25% of Ukraine's exports were going to Russia, the then president Yanukovich was forced not to sign it.<sup>19</sup> This triggered the Maidan uprising, the fall of Yanukovich, the rise to power of Poroshenko and, subsequently, the annexation of Crimea by Russia and the secession of the provinces in Donetsk and Luhansk.<sup>20</sup>

17. Russia-Ukraine gas disputes, *Wikipedia*.

18. IMF Country Report No. 14/106, *IMF*, Απρίλιος 2014.

19. As P. Roufos, op. cit. says, in any case, the agreement with the EU contained really outrageous conditions that made it very difficult to accept: "While "offering" Ukraine a meagre €610 million (as Adam [Tooze](#) notes, "there were Ukrainian oligarchs with personal fortunes larger than this"), this demanded massive public spending cuts, a 40 percent increase in gas bills, and the imposition of trade sanctions with Russia whose impact was [optimistically](#) calculated at a massive \$3 billion *per annum*".

20. It should be noted that the Donetsk and Luhansk region accounts for almost 16% of Ukraine's GDP. See Robert Kirchner, Ricardo Giucci, "The Economy of Donbas in Figures", *Institute for Economic Research and Policy Consulting*, June 2014.

The conflict with Russia and the pro-Russian separatists resulted in a total disruption of trade relations with Russia, which in turn led to a huge recession in 2014 and 2015 (-6.5% and -9.8% respectively). Ukraine avoided total economic collapse through the suspension of debt payments to Russia, a debt it never repaid, as well as through obtaining a new IMF loan of 17.5 billion dollars, which was accompanied by an even tougher austerity and privatization program which included the following: an increase in pension age limits, the cessation of fuel subsidies, the sale of agricultural and forestry land, a freeze on the minimum wage and a cessation of its adjustment based on the cost of living, a reduction in welfare benefits and pensions through the cessation of indexation, a reduction in trade union rights, an increase in the overtime limit, the liberalization of workplace surveillance, a large increase in utility prices, a moratorium on labour inspections, a reduction in contributions, a reduction in the number of civil servants, the closure of hundreds (332) of hospitals, the dismissal of 50,000 doctors, a drop in funding for higher education and cultural institutions and the abolition of birth and childcare allowances.<sup>21</sup> Moreover, the IMF asked the government not to raise the wages of civil servants as a "deflationary measure". Last but not least, they "advised" the "liberalization" of the land market which has been labeled as "too fragmented" (given that 14% of the population are still smallholder farmers) in order to "promote growth" (i.e. capitalist ownership and accumulation).

On the basis of all the above, real wages have not increased in Ukraine for 12 years while prices have risen sharply. Social spending, i.e. the social wage, has fallen from 20% of the annual budget in 2014 to 13% today. The vast majority of the population is poor and will be made even poorer by the war. The so-called "oligarchs", i.e. Ukrainian capitalists, have accumulated even more wealth since 2014, as economic inequality has increased, which is actually underestimated as a very large part of the wealth is hidden in offshore tax havens.

No wonder then that before the war, according to polls, 70% of the population was angry with the increase in inequality, 58% with the loss of jobs (with an unemploy-

21. Andrea Peters, "Impoverishing Ukraine: What the US and the EU have been doing to the country for the past 30 years", *World Socialist Web Site*, 23 March 2022.

ment rate of 10% despite the massive emigration from the country) and 54% with Western interference in the governance of Ukraine.<sup>22</sup> According to the United Nations World Happiness Report, Ukraine ranks 110th out of 149 countries in terms of people's satisfaction with their lives, below even the very poor countries of sub-Saharan Africa.

### **The post-Maidan political situation in Ukraine and nationalist radicalization**

The Maidan uprising did not lead to any change in the class structure of Ukraine, nor did it have any class content. As Volodymyr Ishchenko,<sup>23</sup> on whose interview the next two sections are mainly based, aptly states, it was an expression of a crisis of political representation, which it reproduced. Apart from the unorganized people who participated, who were clearly in favour of rapprochement with the Euro-Atlantic bloc with the hope that Ukraine would follow a path towards capitalist development similar to Poland after the initial "shock", the first of the two organized forces that participated was a set of NGOs and media organizations that functioned more as businesses than as collectives of struggle and which received generous donations from the West. These organizations created the image of a supposed democratic revolution against an (indeed) authoritarian government. On the other hand, the second organized force consisted of the far-right groups that were well prepared and had a strong presence in the demonstrations. As the Ukrainian state was weakened and lost its monopoly on violence due to the uprising but also due to the annexation of Crimea and the secessionist rebellion in Donbass, the far-right groups came to fill the vacuum that was created and took over police and military functions of the state.

The losers of the uprising were certain parties and "oligarchs". Of course, these capitalists quickly realigned themselves and remained on the Forbes list, maintaining their control over key sectors of the Ukrainian economy. The losers of the uprising also include the Communist Party of Ukraine and the broader left (political organisations that are in most cases affiliated to Russia). The CPO was banned in 2015 on the basis of the "decommunization" laws imposed by the Poroshenko government. In 2012 it had received 13% of the vote. In 2014 it did not enter parliament due to the loss of Crimea and Donbas where it was more powerful.

One change brought about by Maidan was the restoration of the parliamentary over the presidential model of democracy. Yanukovich had established a presidential model of democracy when he was elected in 2010, abandoning the parliamentary model that had been in operation since the "Orange Revolution". In 2014, after his fall, the president was supposedly weakened and the parliament was strengthened. However, it did not change the system of neo-patronage, as it is called in post-Soviet studies: i.e. informal networks/clans of patrons and clients that dominate

22. Michael Roberts, *op. cit.*

23. Volodymyr Ishchenko, "Towards the abyss", *New Left Review* 133/134, Jan - Apr 2022.

politics. In October 2014, five pro-Maidan parties entered the parliament and Poroshenko was elected president. These parties had a parliamentary majority but soon the coalition began to collapse. Poroshenko did not want to go to elections because his party would lose strength. So the government was based on a conditional majority and each time the votes had to be secured.

In the political sphere there is no strong dividing line between the far-right groups and the Western-backed liberal NGOs. They met in Maidan on the rhetoric of "anti-corruption" – a discourse promoted even by the IMF, but which fits very well with far-right nationalist ideology, as well as on anti-communism. At the same time, because there are many warring factions of "oligarchs" and the accusation of "ethnocide" and "pro-Russianism" is often used in their disputes with each other, they are forced to adopt the nationalist agenda without necessarily being convinced nationalist ideologues.<sup>24</sup>

This condition allowed a process of nationalist radicalisation, which was used by the patron-capitalists to cover up the absence of any transformation and improvement after Maidan. The poor electoral performance of the far-right parties shows that they are not able to compete with the party apparatuses backed by "oligarchs" money and the media, let alone that their discourse was adopted by the supposedly centrist parties of the oligarchs. However, the usual focus on the far right's poor electoral performance as evidence of its low weight in Ukraine overlooks its growing and unprecedented extra-parliamentary power: it has penetrated the upper echelons of the security forces, it has formed semi-autonomous units within the security forces and the army, and it has strengthened its position and legitimacy in civil society by playing a central role in dense networks of veterans, volunteers and activists. The shaming and lynching of, for example, those accused of the crime of looting during the war, often for simply obtaining basic necessities, follows practices of humiliation of "animal torturers" and "paedophiles" staged before the war by Azov and other far-right organisations (as well as the lynching of Roma people). The logic of punishment and hunting down the "perpetrators" has resonated with the punk subculture, left-liberal animal rights advocates, and so on.<sup>25</sup>

The Minsk agreement to which Poroshenko was dragged –even if he was elected on the basis of the slogan of peace, which he did not respect, but instead intensified military operations resulting in covert intervention by Russia– was seen as something imposed forcibly by Russia and the far right reacted to its implementation even through terrorism, by throwing a grenade that killed 4 policemen and injured 100.<sup>26</sup>

24. For example, Tymoshenko and Zelensky himself have been accused of being "pro-Russian" and "ethnic traitors". See also the article, Volodymyr Ishchenko, "Nationalist Radicalization Trends in Post-Euromaidan Ukraine", *ponars Eurasia*, Policy Memo 529, May 2018.

25. Denys Gorbach and Oles Petik, "The rise of Azov", *OpenDemocracy*, 15 February 2016.

26. Graham Stack, "Ukraine investigates nationalists over Maidan

After 2014, the accusation of being “pro-Russian” was not just directed towards those who supported joining the Russian bloc, but was extended even to those who supported the status of a non-aligned country, were skeptical about Maidan or opposed the “decommunisation” policy or the restrictions on the use of the Russian language. Positions that might have been supported even by the majority of Ukrainians were rubbished and attacked through stigmatization or even physical violence by the nationalists. It was on this basis that the sanctions against the opposing media and certain politicians proceeded, a few months before the Russian invasion. The far right targeted not only the left, but also the Roma, the feminist movement and the LGBTIQI community. Those who were aligned with the left were effectively forced to operate underground.

The agenda of the far right essentially dominated public discourse and government policy after 2014 – an agenda that predates Maidan: decommunisation, banning the teaching of Russian in schools, reinforcing a nationalist historical narrative, Ukrainianization, restrictions on Russian cultural products, the creation of the Autocephalous Orthodox Church of Ukraine. These were largely supported by the active minority of society that participated in Maidan. The majority was rather passively against them.

### The ascent of Zelenski

Zelenski was elected by initially taking a position against the nationalist agenda and on this basis received 75% of the votes. He initially proceeded to a fairly long lasting ceasefire with Russia, to the exchange of prisoners and appeared to be moving towards the implementation of the Minsk agreement. The Azov Battalion and other far-right groups did not obey the orders to disengage in Donbass and instead constantly threatened to assassinate Zelenski. At the same time, only 25% of the people were actively opposed to the Minsk agreement.

Very soon, and since he had no politically organized new force behind him,<sup>27</sup> he moved towards the sphere of

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shootings”, *bne INTELLINEWS*, 12 October 2015, <https://www.bne.eu/ukraine-investigates-nationalists-over-maidan-shootings-500447418/>

27. In fact, it was revealed that Zelenski belonged to the clan of the pro-Russian “oligarch” Kolomoiskyi. When the US imposed sanctions on the latter for his alleged complicity in the manipulation of the US elections, Zelenski gradually distanced himself from him and increasingly moved towards the pro-Western sphere of influence. See <https://www.occrp.org/en/the-pandora-papers/pandora-papers-reveal-offshore-holdings-of-ukrainian-president-and-his-inner-circle> and <https://www.radiosvoboda.org/a/zelenskiy-i-kolomoiskyi-facty/31187278.html>. We cannot discern any actual difference between the supposed “conditions of bourgeois democracy and legality” in Ukraine in comparison to the “gang rule” in DPR and LPR which is described by the comrades from Karmina (<https://karmina.red/posts/tragedy-of-ukrainian-working-class/>). All the more so, since for us the dichotomy between “democracy” vis-à-vis “colonialism” and “gang rule” is false, as they are not mutually exclusive poles but two sides of the same (capitalist) coin and we find the argument for choosing the “lesser evil” deeply misleading as

influence of the pro-Western “oligarchs”, nationalists, liberal NGOs and Western governments. He even went so far as to impose sanctions on the most “pro-Russian” political parties and media, which also played the role of mediator in the talks with Russia. This process of the complete eradication of Russian influence from Ukraine’s domestic politics is considered to be one of the key factors in Putin’s decision to invade, all the more so due to the fact that the government of the outgoing President Poroshenko passed in 2019 the accession of the country to EU and NATO into the Constitution of Ukraine.

Zelenski’s declining popularity and loss of strength led him to essentially close down all opposition media until early 2022. He also came into conflict with Akhmetov’s faction that is not pro-Russian. So before the war he was basically cornered. After the beginning of the war this situation changed completely, as he took advantage of the situation to boost his popularity. Russia’s invasion fully legitimized, as expected, the far-right nationalist radicalization. Of course, there are still people in Ukraine who are not prepared to die for the false community of the “motherland” and who are not carried away by the dehumanising heroic narratives of the nationalists, as shown by the significant number of desertions,<sup>28</sup> the flight from the war zones of the people who are able to leave<sup>29</sup> as well as the existence of a very small minority of people who realize that proletarians in Russia and Ukraine have the same problems and the same enemy: capital and its political representatives.<sup>30</sup>

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it leads to the support of specific capitalist states and capitalist political factions.

28. As early as May over 2500 prosecutions of deserters and absconders were recorded in Ukraine. Moreover, 3300 men were arrested while trying to illegally leave the country. (These numbers have been reported by the International Support of Conscientious Objectors and Deserters organization site at <https://de.connection-ev.org/article-3585> and <https://de.connection-ev.org/article-3594>). In Russia 16,309 people had been arrested for anti-war activities till the 23<sup>rd</sup> of June.

29. Recently the Ukrainian army introduced a new rule according to which military-aged men cannot leave their district without military permission. After a storm of public criticism Zelenski intervened and revoked the rule, in order to pacify the uproar and boost, once again, his popularity. (<https://vikna.tv/dlia-tebe/pidtvrdzhenozaboronu-zalyshaty-misce-prozhyvannya-cholovikam-pid-chas-vijny/> and <https://kievvlavst.com.ua/news/poryadok-yakij-regulyue-peremishhennya-gromadyan-v-umovah-voennogo-stanu-bude-zminenzaluzhnij>).

30. Like for example comrade Andrew, whose letters we have translated here: [https://antithesi.gr/?page\\_id=156](https://antithesi.gr/?page_id=156).