

---

# Soviet-style food prices return to Russia

By Adrian Blomfield in Moscow  
Telegraph Media Group - 25/10/2007

---

The Kremlin has been accused of abandoning a commitment to market economics after it imposed Soviet-style price controls on basic food items in an attempt to shore up President Vladimir Putin's popularity.

The state's extraordinary intervention in the market has been seen as a pre-election manoeuvre to assuage growing discontent among Russia's poor over soaring food prices.

But analysts said that it also underscored the weakness of Russia's apparently mighty economy – an achievement for which Mr Putin has claimed credit to almost universal adulation among his people.

The Kremlin tried to portray the controls, which will see prices frozen on staples such as bread and milk at their October 15 levels, as a voluntary and patriotic gesture undertaken by Russia's food producers and retailers.

But analysts said that business leaders were coerced into making concessions that could do greater economic damage in the long term.

"It is known for a fact that they were summoned to the Kremlin," said Masha Lipman, a political analyst at the Moscow Carnegie Centre. "It's easy to imagine the conversation. They were told to fix prices voluntarily – or else. And of course they will comply. Business in Russia always complies." The cost of food has soared in Russia in recent months, with milk rising 9.2 per cent in September alone.

In some regions, bread is reported to have doubled in price since the beginning of the year.

The dramatic inflation has spooked the Kremlin.

With Yeltsin era shortages and the empty shelves of the Communist era still fresh in Russia's collective memory, the price of food can often make or break a president's popularity.

Until now, Mr Putin has enjoyed widespread support, basking in approval ratings of over 70 per cent.

But the issue of food price inflation – blamed on rising global costs, higher salaries and pensions and old-fashioned local greed – has begun to dominate political discourse.

While Russians blame the crisis on the government rather than on Mr Putin – who is universally credited with raising salaries – the Kremlin has decided to take no chances ahead of back-to-back parliamentary and presidential elections in December and March.

Highlighting the government's anxiety, ruling party politicians have begun to revert to the rhetoric of the Communist era. Mr Putin has railed at regional monopolies in the food market and speculators – considered in Soviet times as the country's greatest traitors -- for artificially inflating prices.

Upper house Speaker Sergei Mironov, who is often used to float controversial Kremlin-backed proposals, has even suggested re-introducing a state food monopoly.

While the state's intervention may help to stave off the Kremlin's greatest fear " that of panic buying and hoarding which could see the crisis spiraling out of control " economists say the policy damages Russia's free market credentials.

The Kremlin has already come under criticism for expanding the state's presence in the oil and gas sectors at the expense of private enterprise.

It is energy that has driven the Russian economy, which continues to grow at rates far outstripping western rivals, and with oil prices just below record levels of \$90 a barrel a slowdown is unlikely.

But the inflation crisis, economists argue, shows how one-dimensional and vulnerable the Russian economy really is.

"The fact that in this situation the government could come up with no measures except for administrative interference shows how weak the economy really is," said Pavel Trunin, an economist at the Gaidar Institute in Moscow. "It shows that the economy is dependent on oil prices."

[www.telegraph.co.uk](http://www.telegraph.co.uk)

---