

Putin's Faith In Miracles Is Bad Policy

By [The Moscow Times](#)

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Deputy Prime Minister Arkady Dvorkovich said at this week's VTB investment forum in Moscow that the government does not have the resources to maintain current spending on social programs, the military and state-owned holdings.

Every adult understands that an element of loss is involved in every choice. Selecting one thing or one path means rejecting another. If you don't have enough money for both ice cream and sausage, you must content yourself with one or the other. In marrying Sveta, you necessarily reject Masha.

To maintain the status quo, the government must either cut expenses or raise taxes, borrow money or improve the investment climate so the economy and the tax base will grow. The laws of mathematics and economics are non-negotiable. Miracles cannot save a sinking economy or a budget deficit.

But President Vladimir Putin strongly disagrees with this. Putin has called for an increase in pensions, lowering of mortgage rates, huge increases in military expenditures through

2020 and an ambitious, expensive development plan for the Far East. He thinks he can achieve these goals without raising taxes or the retirement age or causing serious inflation or high deficits. Two weeks ago, Putin assailed the Cabinet for failing to put those plans into action.

Putin does not have a clear picture of the real state of affairs in the country. Dvorkovich has worked with Putin for many years and fearlessly explains that hard choices must be made and that the laws of physics and economics are inviolable. Why then does the president persist in behaving as if those laws do not apply to him, or at least to the Russian economy?

Over the past decade, Putin has shown that he believes in miracles. After all, when oil prices rose for most of Putin's first two terms as president, he was able to pay for many large programs with few sacrifices. Then at some point he learned that there were no funds available for paying pensions. No problem, Putin concluded, just nationalize the pension fund, and the money will come. This was a short-term solution that came at a high cost to the economy.

Reliance on miracles makes for poor government policy. If a building is erected on a shaky foundation, it will definitely fall. The only question is when.

This comment appeared as an editorial in Vedomosti.

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