

Putin criticises the draft budget and Medvedev's government

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At a meeting in Sochi on 18 September, President Vladimir Putin sharply criticised the draft budget for 2013, as publicised by the Ministry of Finance, charging that it did not include the orders contained in the presidential decrees issued when Putin took office on 7 May. These mostly contained populist social demands (for example, raising wages in the public sector, lowering property prices, and even creating conditions to increase average life expectancy to 74 years). Putin also criticised the draft budget for lacking development-oriented incentives and failing to lay the ground for reform of the pension system and developing Siberia and the Far East. The president accused the government of being inefficient, and ordered Prime Minister Medvedev (who was not present at the meeting) to reprimand three ministers: those responsible for regional development, employment and education.

The budget developed by the Ministry of Finance aims to reduce the deficit to 0.8% of GDP (compared to the figure of 1.5% predicted in July), thanks to forecasts of a larger increase (by 0.5%) in revenue to 19.3% of GDP, and a simultaneous fall in expenditure (by 0.2%) to 20.1% of GDP.

Commentary

- Although Vladimir Putin was criticising the principles of the budget, he does not seem to want a deeper reconstruction of the budget in order to increase social spending. In the light of the approaching economic crisis, adopting a populist budget (as Putin has publicly called for) would risk a rise in inflation (beyond the current figure of 5.5% assumed in the current draft budget) as well as the budget deficit. Experts have calculated that the economic growth rate would have to be at least 6-7% of GDP in order to implement the demands contained in Putin's decrees – whereas the GDP growth for 2013 is estimated at only 2-3%.
- Putin's sharp criticism of the government marks a return to the populist method of governance he employed during his first two presidential terms (2000-2008). Under this scheme, the head of state publicly demands the implementation of a pro-social (and often unrealistic) policy, and the government is made accountable for carrying it out. In addition, Putin's use of a more 'welfare state' rhetoric is being dictated by the deteriorating economic outlook, his own falling popularity ratings, and the opposition's

more active use of social slogans to criticise the authorities.

- Putin's criticism of Medvedev's government was also a form of public political demonstration. The ministers were obliged to attend the meeting, which was unexpectedly convened at the President's residence in Sochi; they were severely scolded for their failure to carry out the President's decrees, as well as for 'systemic failure'. Prime Minister Medvedev himself was not present, because his schedule for that day included a meeting on the innovative development of medicines in Skolkovo. Putin's speech, as publicised by state media, was intended to enhance his image as the main decision-maker. At the same time, it forms part of a trend of public disputes between the Kremlin and Medvedev's government which have been growing over the last few months, on matters including economic policy and the extent of restrictiveness of the president's policy (towards its opponents, among others).