

## Book Review

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# Book Review – “Putinomics. Power and Money in Resurgent Russia” by Chris Miller

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**Chris Miller, “*Putinomics. Power and Money in Resurgent Russia*”, The University of North Carolina Press, Chapel Hill 2018, p. 240.**

When Vladimir Putin took power in Russia in 1999, he was a little-known figure, brought to Moscow by the then President, Boris Yeltsin. Russia of that time did not in any way resemble the one of today, both politically and economically. At that time, the Russian economy was in a state of permanent, deep crisis, which culminated in 1999 as a direct consequence of the financial crisis of September 1998. Putin, who has been in power continuously since then, either as President in 2000–2008 and 2012 till present or as Prime Minister in 2008–2012, did not only restore Russia to the role of a great power in the international political arena but also “put the Russian economy back on its feet”, which under his rule was developing at a pace enviable to many other countries of the world. Naturally, a number of questions arise: how was it possible? What was the reason for Russia’s economic success?—was it about the genius of its leader, the favorable external circumstances, or perhaps was it a complete coincidence? Finally, the key one is whether one can speak of a conscious, consistently implemented economic policy of the Kremlin under the leadership of Putin. The answers to these questions are provided by Miller in his book.

In “*Putinomics. Power and Money in Resurgent Russia*”, Miller presents a very consistent, comprehensive, and analytical evaluation of Putin’s economic policy, which has kept him in power in Russia for the past two decades. The author accurately describes and aptly explains the specificity of the Russian state and of its economy, where politics and economy are closely intertwined. He proves that some aspects of Putin’s fiscal and monetary policy were conducive to securing economic stability and growth, while his other politically motivated actions hampered investment and long-term development. Moreover, Miller also points out that—despite widespread corruption, cronyism, and overreliance on oil as a driving force of the Russian economy—Putin’s economic strategy has been surprisingly successful. In this context, the author formulates an opinion that, contrary to the popular opinion prevailing in the West, Russian economic policy under Putin’s rule was to a large extent well-thought-through and implemented with iron consistency and pragmatism, in view of the effects achieved, both the economic and the political ones, as well as from the point of view of Putin’s image.

To refer to Putin’s economic policy pursued in Russia since he came to power in 1999, Miller has coined the notion of “*putinomics*”, so styled after “*reaganomics*”. He indicates how strongly “*putinomics*” has become ingrained in the style and method of exercising power in Russia by Putin, guaranteeing him not only its maintenance for a long time but also the unwavering popularity in Russian society as a leader who was able to “put the Russian economy back on its feet” and improve its citizens’ standard of living.

As for the structure and contents, the book is divided into 8 chapters plus a preface and a postscript, spanning a total of 240 pages.

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In Chapter 1 (*Putin's Economic Inheritance*), the author describes the economic and political legacy of Putin's predecessor, Boris Yeltsin. In particular, the origins of the 1998 financial crisis are described, which go back to the genesis of the collapse of the Soviet Union; the beginnings of Putin's career in St. Petersburg under Anatoly Sobchak and the collapse of A. Sobchak; the emergence of oligarchs as the biggest beneficiaries of the changes and Putin's move to Moscow; up to a synthetic discussion of the financial crisis in 1998, which caused a rapid retreat from earlier quasi-liberal transformation changes, effected—with various results—by Yeltsin's team.

Chapter 2 (*Reforging the Russian State*) begins with Putin's TV speech after he took power from Yeltsin and the announcement of his program under the slogan "Strong State, Strong Economy." His first step was to rebuild the authority of the central government at the expense of the provinces—unlike B. Yeltsin, who increased the autonomy of the regions. In this context, Miller uses the term "*power vertical*" to refer to Moscow's sovereignty over the regions that Putin decided to restore. Next, the "Gref Programme" (named after German Gref, the Minister of Economic Development and Trade in 2000–2007), which was aimed to stimulate economic development in Russia also by taking action to curb the oligarchs of the time, is discussed.

Chapter 3 (*Rise of the Energy Giants*) discusses the development of Russian energy giants amid the rising oil prices on world markets. At that time, thanks to the incoming foreign investments, investment outlays tripled in just 6 years (1998–2004), which made it possible to kick-start the process of revamping the Russian oil industry. According to Miller, symptomatic for this modernization, and the *de facto* subjugation of the "resistant" oligarchs associated with the oil industry to the Kremlin, was the case of M. Khodorkovsky (then co-owner of Yukos), who, after being accused of using the so-called aggressive tax optimization, was arrested and eventually sentenced to a long-term stay in a penal colony.

Chapter 4 (*Stabilizing Russia's Finances*) deals with the stabilization of public finances in Russia in the first years of Putin's rule, the rising budget revenues, the repayment of old debts, as well as the decision to create reserve funds, thanks to the budget surplus. Another aspect of Putin's economic policy discussed in this chapter is the restrictive monetary policy, aimed at reducing the level of high inflation, which was implemented and proved effective.

Chapter 5 (*Restructuring Russian Industry*) is devoted to the restructuring of Russian industry. Miller explains that not all the great fortunes in Russia were created, thanks to links with the Kremlin solely. Some of them were made, thanks to the widespread corruption and corrupt state officials. This, however, did not stop the influx of foreign investments to Russia, because of the good economic situation on the oil market and the devaluation of the ruble in 1998. The author also points out that, despite the brutal treatment of Khodorkovsky, Russian oligarchs did not run away with their fortunes abroad in fear of sharing his fate, but they invested the money they had raised in the national economy, which provided an additional stimulus for further economic growth. What is more, this part of the economy, which was far away (furthest possible) from the Kremlin, was quickly upgraded and generated rapid productivity growth, unlike the part dominated by the state sector, which still remained unproductive and corrupt. In addition, Miller shows and explains that at that time, the Russian economy developed according to the two-speed principle. Wherever monopolies or companies focused solely on government procurement were in place, corruption and low productivity dominated. In other sectors not so closely linked to the Kremlin, companies developed according to a completely different model—with both efficiency and productivity rising quickly.

Chapter 6 (*Wages and Welfare*) is devoted to pay and social security issues in Russia under Putin's rule. The chapter delves into the specifics of the Russian labor market, including employment conditions and wages. Despite the problems, even at the height of the economic crisis in 2009 and after the collapse of oil prices in 2014–2015, the country's unemployment rate did not increase as one would expect. This was the result of the government's efforts to ensure that people did not lose their jobs, especially in cities where there were no alternative employment opportunities. It was an element of a kind of "social contract". At the same time, especially in good times, wages were rising rapidly, which contributed to the improvement of living conditions, perceived as a result of the actions of the government and Putin himself. According to Miller, this social contract was one of the three main pillars of Putin's policy—constantly rising salaries and pensions were to ensure domestic stability as well as to build trust in Putin and fear of him losing power, in which case

the situation could deteriorate. Next, the author describes the reform of the Soviet social security system as well as the way it was organized under Putin’s rule, treated as one of the important tools of “putinomics” and maintaining high public support. Naturally, keeping the existing pension system in Russia in the long run became more and more expensive and increasingly burdened the federal budget. Amid the deteriorating demographic situation (negative population growth, aging population), the system became more and more insolvent; hence, the idea of its reform (including the announcement of raising the retirement age) met with great social discontent and protests. However, Miller does not write about them in his book, as these events took place in 2018 and, because the book being released in early 2018, could not be included in it.

In Chapter 7 (*From Crisis to Crisis*), Miller points out that the beginning of the 21st century was a period of extraordinary prosperity for Russia, resulting, to a large extent, from a surge in foreign investment and high, and growing, oil prices on international markets. However, the advent of the global economic crisis of 2008 put further economic development into question. And it was the first principle of “putinomics”, that is, maintaining state power and Putin’s authority, that stood in the way of further economic growth. In the face of new challenges (the global economic crisis, the war with Georgia, falling oil prices, and, internally, the escalating economic recession, problems with foreign debt repayment, the need to bail out the Russian banking system, and the energy sector), the Kremlin introduced modifications to “putinomics” in order to achieve two new goals, that is, to uphold Putin’s political system and to rebuild Russia’s military power. It happened at a huge cost of budget transfers cuts and postponement of planned investments, which helped the country survive the crisis, but this economic policy failed to lay the foundations for new economic growth.

In Chapter 8 (*Putinomics under Pressure*), Miller reiterates that “putinomics” was designed and implemented in order to maintain Putin’s popularity in the Russian society, improve the standard of living of the population, as well as maintain economic growth at high oil prices. And the year 2014—and the following years—proved the biggest test for “putinomics”. As in 2008–2009, Russia’s cautious fiscal and monetary policies once again helped the country navigate through the crisis, but it failed to restart the Russian economy and effectively stimulate renewed growth.

An interesting and inspiring part of the book is the Postscript (*Can Putinomics Survive?*), in which the author ponders on whether “putinomics” has a chance to survive. Referring to the presidential election in March 2018, attention is drawn to the fact that for the first time since Putin came to power, the government was forced to introduce drastic austerity measures in a very inconvenient time for Putin—right before the election. Yet, neither taxes were raised nor pensions were reduced, even though they represent the biggest burden for the budget. Instead, expenditure on public administration was reduced. Cuts were also made in less socially sensitive areas, such as schools and hospitals.

But the fundamental question posed by Miller is whether Russia, assuming that the current “putinomics” is upheld, will be able to return to the path of economic growth. As indicated in the book, the actions taken by Putin in 2008–2009 and 2015–2016 helped stabilize the economic and social situation in the country. A budgetary crisis such as the one that affected Russia in 1991 and 1998 was avoided. “Putinomics” turned out to be successful and proved to be extremely effective in ensuring macroeconomic stability. Still, Miller is not so convinced that Putin’s current economic policy model may prove its worth in the future.

Personally, I think that Miller’s book “*Putinomics. Power and Money in Resurgent Russia*” is a very valuable publication. Through his clear and thorough discussion of the meanders of Russia’s reality, politics, and economy, the author succeeded in capturing the essence of the economic policy pursued by Putin and its consequences.

Furthermore, the book not only presents the results of the author’s research into the topic but does so in a way that makes it an interesting read as well. This should be considered a great advantage, especially for potential readers who do not have any background in economics and who can thus gain some insight into basic economic concepts as well as expand their knowledge about Russia. It contains a lot of references to events, examples, and interesting trivia, which help the reader better understand the character of Russia and Putin’s power.

I recommend the book to anyone who is interested in contemporary Russia and would like to understand the phenomenon of Putin and the determinants of his success as well as his enormous public support, which

have been a direct effect of his economic policy, called by Miller as “putinomics”. Among its target readers, I would include not only experts and journalists dealing with the Russian economy, public administration employees having with contacts with Russia in their work, students of economics, international relations, as well as political science but anyone simply interested in contemporary Russia.