



Why the Russian Government Needs the Cryptoruble

OE Watch Commentary: The accompanying article discusses several compelling reasons for the Russian government to move forward with creating a cryptoruble. These range from national security and fighting crime to deposing the US dollar as the worldwide reference currency.

The author suggests the exclusion of several banks on the US and European sanctions list from the international interbank money transfer system (SWIFT) should be a red flag regarding Russia's dependence on the system, as this represents a significant national security vulnerability. If the entire country were to be excluded, the country's economy would hardly function, and the country itself would be thrown back into the technological dark ages of several decades ago.

Instead of remaking their own domestic version of every new technology in recent memory (smart phones, money transfer systems, etc.), the author suggests using the cryptoruble as a leapfrogging technology to replace credit/debit card transactions.

The overwhelming advantage for the government is that it can gain greater control over the banking sector and return to a more centralized monetary policy. All non-cash payments would be visible to the government, and, as the author suggests, this would reduce credit card fraud and other illegal financial transactions.

Ironically, the author recasts the cryptoruble as a safe haven from the shadow economy, instead of its jumping off point. He contends that the cryptoruble should replace the cash ruble, which would reduce the currency available for criminals to engage in anonymous transactions.

Finally, the author discusses how a cryptoruble would be the first step towards making an international cryptocurrency that would displace the US dollar as the world's foremost reference currency. Predictably, the author suggests this new super-currency would be "based on the national currencies" of Russia and its allies, "China, Venezuela, Iran," thus making it the antithesis to "real" cryptocurrencies, which are beholden to no country. The author suggests that the cryptoruble as the common cryptocurrency among Russia and its allies would "provide a greater degree of security in international transactions, allowing [Russia] to stop using the SWIFT system, from which Russia could be excluded anyway as part of another round of sanctions." **End OE Watch Commentary (Hall)**

“The cryptoruble is the first step towards no longer using the dollar in international transactions with our allies (China, Venezuela, Iran), to be followed by the creation of an international cryptocurrency... it would provide a greater degree of security in international transactions...”



Central Bank of Russia, Neglinnaya street 12, Moscow, Russia.

Source: By Ludvig 14 (Own work) via Wikimedia Commons, <https://commons.wikimedia.org/wiki/File:3AMoscow!RussiaCentralBank!M00.jpg>, CC BY-SA 4.0.

Source: Федор Наумов, “Цифровой суверенитет. Зачем правительству понадобится крипторубль (Digital Sovereignty: Why the Government Needs the Cryptoruble),” *Forbes.ru*, 3 November 2017. <http://www.forbes.ru/finansy-i-investicii/352381-cifrovoy-suverenitet-zachem-pravitelstvu-ponadobilsya-kriptorubl>

The introduction of sanctions has shown that Russia must create its own systems and technologies, so as not to end up cut off from the global technological infrastructure.

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The situation in the banking sector: As of today, there are many banks in Russia that use the non-cash ruble in grey [economy] schemes and do not extend credit [to their customers], thereby limiting the ability of the Central Bank to carry out monetary policy. A new, modern type of non-cash ruble – the cryptoruble – could solve the problem by making the system of non-cash payments more transparent and significantly reducing the number of illegal [financial] operations.

The fight against the shadow economy: In this country, the time has come, little by little, to squeeze cash out of circulation, in order to shut down part of the grey economy.

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The cryptoruble is the first step towards no longer using the dollar in international transactions with our allies (China, Venezuela, Iran), to be followed by the creation of an international cryptocurrency along the lines of the special lending and borrowing rights.

Based on the currencies of allies, it would provide a greater degree of security in international transactions, allowing [us] to stop using the SWIFT system, from which Russia could be excluded anyway as part of another round of sanctions.”