

## **In Quest of National Idea:**

### **“Energy Ruble” Bound To Be the Hardest Currency**

Contradictory political situation has emerged in this country. Western liberal political ideas have worked themselves out; they have brought discredit upon themselves in the estimation of the public. The State Duma election results are maifestive of that. At the same time, the economic policy of Russia remains conspicuously pro-western, aiming to turn the country into a source of raw materials for the West. The country is unable to efficiently develop provided the two mutually exclusive lines are followed simultaneously. A Unified Conception of Social Security has become an extremely urgent issue; a reasonable mix of politics and economy to provide the formation of some crisis-free trends of development.

The contemporary crisis of our nationhood is mainly caused by inadequacy of Social Science to the ontic reality of life, which leads to the lack of statecraft methodology or welfare management. None of the manuals on Economics puts a question of how a state gets wealthy; they focus on the art of getting rich within a single corporation, a single bank, or give a piece of advice to individual wealth. Nevertheless, in real life the corporate effect proves to be achieved at the expense of some damage done to the state and society.

The country has everything it takes to reach the goals set by the President in his address, namely, the acceleration of economic growth and the external convertibility of ruble. The country possesses quite sufficient sources of energy, a surplus resource potential, qualified work force, and our home demand is stable. However we have never made proper use of our opportunities on account of some glaring faults of methodological character. The commodity-and-monetary control needs the accommodation of interests of both financial and industrial sectors, state interests and the interests of the global financial and commodity markets.

The nation's financial system functionally resembles the haemal system of a human body. Blood supplies a precisely defined amount of oxygen to every single part of the body and carries away the corresponding amount of carbon dioxide. In the same way money can 'supply' the required resources for development purposes, raw materials, and power resources to every single business, as well as carry away the marketable output. In case there is a shortage of money and the system is bleeding white, all the organs of such system will be collapsing ('head' stands for 'science', 'feet' – for the 'agriculture sector', 'hands' – for the 'industry', etc).

Over the past 13 years, inflation has exceeded the increment of money supply tenfold, which distorted the balance of money in hand and the technological need in it. Russian economy has been purposely demonetized to hit one of the bottom positions in the world rating. This 'blood' loss was behind the collapse of all the parts of industrial sector, and the intentionally created ruble vacuum was designed to be filled with US dollars and other monetary substitutes.

There is no need at all to talk about the banking sector 'development' if we are aiming at establishment of the financial atmosphere that would facilitate real production. Banking could 'develop' for the account of finance pumped out of industry by means of interest rate. We need to restore the functionally appropriate relation of 'money supply to GDP' by a 'one-shot blood transfusion' operation, which may though take some time. The development-bound increase of the money supply has to be a strictly targeted operation so that we could pull down the national debt, develop high-tech industries, get rid of the most excruciating social problems. The aggregate money supply will have to correspond to the capacities and technological needs of the national economy complex, and it has to be backed by the domestic 'ordinary product', not by gold-and-hard currency reserves. In order to eliminate the artificial money supply deficit, the Treasury of the Russian Federation is supposed to become the 'blood donor', coming up with its' legal tender notes (bills) for 5 times as much amount as the current money supply provided by the notes of the Bank of Russia. To avoid inflation, the amount of Treasury bills issued after the deficiency has been cleared should strictly follow the GDP growth.

State Budget acts as a core source of funds and a money supply in the leading industrialized countries. It is exactly the instrument that defines priorities and shapes the nation's development directions. State priorities stimulate the growth of the affiliated industries and build up human resources of the nation. The monetary base of the Japanese yen is backed by gold-currency reserves by 3%, and it is 71% secured by budgetary needs and by corresponding government notes. The monetary base of the US dollar is secured by 7% and 92%, accordingly.

The XX-th century brought sweeping changes to the production of commodities. It's origin changed from biogenous to technogenous, and nowadays up to 95% of goods are being produced not with the use of human muscle power, but technically generated power. It is the power, energy that de facto plays the role of invariant goods. While calculating the costs of a loaf of bread, a brick, or a pig aluminum you will realize that it could only be done by taking into account the amount of energy used in the course of their extraction or/and manufacturing.

We need to undertake enforced by law transition to the energy standard of currency backing; with kilowatt-hour de-jure introduced as an invariant for each and every item on the price-list. The currently established prices would let us value a rouble with one kilowatt-hour. The present price co-relations would remain unaffected, whereas the ruble would acquire some tangible filling, which could easily be re-calculated into the adjusted volumes of other kinds of energy agents (oil, gas etc.) The country that will be the first to offer the world its' money (de-jure) backed by energy standard will get the strategic advantages, urge investments, and raise international demand in its' currency.

Interest rate creates fundamental problems in the ruling monetary system; it destabilizes economy and it has to be banned by law. Banking activities will have to be remunerated in direct proportion to the amount and quality of their work and services rendered to the producers, or as their input in joint production activities. The internal usury mechanisms have been behind the slaughterous fund-and-profit outflow from real industries to the banking sector, whereas the global supranational usury made this country addicted to foreign loans. This operation was based on premeditated tenfold reduction of the nation's monetary base. The country's debt burden in the form of paper and digits inside computers made the country service and pay back the sinister external debts (which came up to 40% of the national budget).

Restoration of elementary common sense in construction of our external commodity-and-money relations we have to start from the introduction of the 'energy ruble' as the unified intergrated unit of the accounting system. The average rouble values of exports and imports should be equal. Likewise, paper- and electronic cash-flow into this country should be balanced by counter-stream, which is not supposed to be goods outflow, but data outflow. Foreign trade balance permits us to straightforwardly transfer our exports into the ruble zone. The only thing needed is a law similar to the Japanese one in force since 1949, which would put a ban on sale of goods produced in Russia for overseas, de-jure, non-supported currency.

The choice is obvious; we have to sell our resources for rubles. In that case, ruble will not put pressure upon the domestic market, it will be used in external circulation, it will not be accumulated in Russia only, but in the European, Asian and American countries, utterly craving our resources. This is the only way we can implement the task of ensuring the external convertibility of ruble, set forth in the President's address. Russian foreign trade balance and exports, twice exceeding imports, will create the basis for a strong demand for rubles and their sale for any currency we would need for importing.

Ruble-based exports, energy ruble and external convertibility of ruble are mutually related processes. The demand for rubles will be ensured if some commodities, including energy agents, become available on the world market exclusively for rubles. National currency can be secured by commodities only in case this scheme is applied. Currently, our energy resources support US dollar, and the international demand for it is partly determined by the possibility of purchasing Russian goods for that slip of paper.

According to the stereotypes of today, inflation is considered to be as of right. However, global inflation is based on the money supply deceit. G7 nations annually issue about 1 trillion new 'hard currency' money, backed by no commodity. Just a narrow group of experts knows this constitutes the gap between the so-called global total output and its value growth, nominated in US dollars. L. Erchard once wittfully noticed that 'Inflation has never been a law of development, it has

always been stupidity of fools ruling the country.’ Non-inflationary economy is based upon the money supply effected against the commodity-backed metrological background, legal prohibition of usury and the realignment of the tarriffs by the ‘natural monopolies’.

The main sources that will allow to double GDP are industry, agriculture and the real sector of production of commodities as well as services. It is high time that we crushed the murderous bank usury practicies and bring about taxation-and compensatory machinery of market regulation, which will provide the balanced development of all the sectors of the national economy; eliminate any inter-industry disproportions in prices and investments. It is time we tore the mask of the myth that insists the market by itself is all-mighty and omnipotent. Unregulated market will inevitably be adjusting itself to maximum profits, which leads to booming usury, porno-business, drug business, favoring alcohol and tobacco producers, which destroy the statehood. Well-being and prosperity should be determined by labour itself, and not by which industry one belongs to.

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newspaper “Chas pik”, May 6, 2004