

Ruble Takedown Exposes Cracks in Putin's Defense

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"The plunge of the Russian currency this week is the drastic outcome of policies implemented by the major imperialist powers to force Russia to submit to American and European imperialism's neo-colonial restructuring of Eurasia. Punishing the Putin regime's interference with their plans for regime change in countries such as Ukraine and Syria, the NATO powers are financially strangling Russia." - Alex Lantier, [Imperialism and the ruble crisis](#), World Socialist Web Site

"The struggle for world domination has assumed titanic proportions. The phases of this struggle are played out upon the bones of the weak and backward nations." - Leon Trotsky, 1929

Russian President Vladimir Putin suffered a stunning defeat on Tuesday when a US-backed plan to push down oil prices sent the ruble into freefall. Russia's currency plunged 10 percent on Monday followed by an 11 percent drop on Tuesday reducing the ruble's value by more than half in less than a year. The jarring slide was assisted by western sympathizers at Russia's Central Bank who, earlier in the day, boosted interest rates from 10.5 percent to 17 percent to slow the decline. But the higher rates only intensified the outflow of capital which put the ruble into a tailspin forcing international banks to remove pricing and liquidity from the currency leading to the suspension of trade. According to Russia Today:

"Russian Federation Council Chair Valentina Matviyenko has ordered a vote on a parliamentary investigation into the recent activities of the Central Bank and its alleged role in the worst-ever plunge of the ruble rate..."

"I suggest to start a parliamentary investigation into activities of the Central Bank that has allowed violations of the citizens' Constitutional rights, including the right for property," the RIA Novosti quoted Tarlo as saying on Wednesday.

The senator added that according to the law, protecting financial stability in the country is the main task of the Central Bank and its senior management. However, the bank's actions, in particular the recent raising of the key interest rate to 17 percent, have so far yielded the opposite results." ([Upper House plans probe into Central Bank role in ruble crash](#), RT)

The prospect that there may be collaborators and fifth columnists at Russia's Central Bank should surprise no one. The RCB is an independent organization that serves the interests of global capital and regional oligarchs the same as central banks everywhere. This is a group that believes that humanity's greatest achievement is the free flow of privately-owned capital to markets around the world where it can extract maximum value off the sweat of working people. Why would Russia be any different in that regard?

It isn't. The actions of the Central Bank have cost the Russian people dearly, and yet, even now the main concern of RCB elites is their own survival and the preservation of the banking system. An article that appeared at Zero Hedge on Wednesday illustrates this point. After ruble trading was suspended, the RCB released a document with "7 new measures" all of which were aimed at protecting the banking system via moratoria on securities losses, breaks on interest rates, additional liquidity provisioning, easier credit and accounting standards, and this gem at the end:

"In order to maintain the stability of the banking sector in the face of increased interest rate and credit risks of a slowdown of the Russian economy the Bank of Russia and the Government of the Russian Federation prepare measures to recapitalize credit institutions in 2015." ([Russian Central Bank Releases 7 Measures It Will Take To Stabilize The Financial Sector](#), Zero Hedge)

Sound familiar? It should. You see, the Russian Central Bank works a lot like the Fed. At the first sign of trouble they build a nice, big rowboat for themselves and their dodgy bank buddies and leave everyone else to drown. That's what these bullet points are all about. Save the banks, and to hell the people who suffer from their exploitative policies.

Here's more from RT:

"Earlier this week a group of State Duma MPs from the Communist Party sent an official address to Putin asking him to sack (Central Bank head, Elvira) Nabiullina, and all senior managers of the Central Bank as their current policies are causing the rapid devaluation of ruble and impoverishment of the majority of the Russian population.

In their letter, the Communists also recalled Putin's address to the Federal Assembly in which he said that control over inflation must not be in the way of the steady economic growth.

"They listen to your orders and then do the opposite," the lawmakers complained." (RT)

In other words, the RCB enforces its own "austerity" policy in Russia just as central bankers do everywhere. There's nothing conspiratorial about this. CBs are owned and controlled by the big money guys which is why their policies invariably serve the interests of the rich. They might not call it "trickle down" or "structural adjustment" (as they do in the US), but it amounts to the same thing, the inexorable shifting of wealth from working class people to the parasitic plutocrats who control the system and its political agents. Same old, same old.

Even so, the media has pinned the blame for Tuesday's ruble fiasco on Putin who, of course, has nothing to do with monetary policy. That said, the ruble rout helps to draw attention to the fact that Moscow is clearly losing its war with the US and needs to radically adjust its approach if it hopes to succeed. First of all, Putin might be a great chess player, but he's got a lot to learn about finance. He also needs a crash-course in asymmetrical warfare if he wants to defend the country from more of Washington's stealth attacks.

In the last 10 months, the United States has executed a near-perfect takedown of the Russian economy. Following a sloppy State Department-backed coup in Kiev, Washington has consolidated its power in the Capital, removed dissident elements in the government,

deployed the CIA to oversee operations, launched a number of attacks on rebel forces in the east, transferred ownership of Ukraine's vital pipeline system to US puppets and foreign corporations, created a tollbooth separating Moscow from the lucrative EU market, foiled a Russian plan to build an alternate pipeline to southern Europe (South Stream), built up its military assets in the Balkans and Black Sea and, finally—the cherry on the cake—initiated a daring sneak attack on Russia's currency by employing its Saudi-proxy to flood the market with oil, push prices off a cliff, and trigger a run on the ruble which slashed its value by more than half forcing retail currency platforms to stop trading the battered ruble until prices stabilized.

Like we said, Putin might be a great chess player, but in his battle with the US, he's getting his clock cleaned. So far, he's been no match for the maniacal focus and relentless savagery of the Washington powerbrokers. Yes, he's formed critical alliances across Asia and the world. He's also created competing institutions (like the BRICS bank) that could break the imperial grip on global finance. And, he's also expounded a vision of a new world in which "one center of power" does not dictate the rules to everyone else. That's all great, but he's losing the war, and that's what counts. Washington doesn't care about peoples' dreams or aspirations. What they care about is ruling the world with an iron fist, which is precisely what they intend to do for the next century or so unless someone stops them. Putin's actions, however admirable, have not yet changed that basic dynamic. In fact, this latest debacle (authored by the RCB) is a severe setback for the country and could impact Russia's ability to defend itself against US-NATO aggression.

So what does Putin need to do to reverse the current trend?

The first order of business should be a fundamental change in approach followed by a quick switch from defense to offense. There should be no doubt by now, that Washington is going for the jugular. The attack on the ruble provides clear evidence that the US will not be satisfied until Russia has been decimated and reduced to "a permanent state of colonial dependency." (Chomsky) The United States has launched a full-blown economic war on Russia and yet the Kremlin is still acting like Washington's punching bag. You can't win a war like that. You have to take the initiative; take chances, be bold, think outside the box. That's what Washington is doing. The rout of the ruble is perhaps the most astonishingly-successful asymmetrical attack in recent memory. It involved tremendous risks and costs on the part of the perpetrators. For example, the lower oil prices have ravaged important domestic industries, created widespread financial instability, and sent markets across the planet into a nosedive. Even so, Washington persevered with its audacious strategy, undeterred by the vast collateral damage, never losing sight of its ultimate objective; to deprive Moscow of crucial oil revenues, to crash the ruble, and to open up Central Asia for imperial expansion and US military bases. (The pivot to Asia)

This is how the US plays the game, by keeping its "eyes on the prize" at all times, and by rolling roughshod over anyone or anything that gets in its way. That is why the US is the world's only superpower, because the voracious oligarchs who run the country will stop at nothing to get what they want.

Does Putin have the grit to match that kind of venomous determination? Has he even adjusted to the fact that WW3 will be unlike any conflict in the past, that jihadi-proxies and Neo Nazi-proxies will be employed as shock troops for the empire clearing the way for US special forces and foot soldiers who will hold ground and establish the new order? Does he

even realize that Barbarossa 2 is already underway, but that the Panzer divisions and 2 million German regulars have been replaced with high-powered computers, covert ops, color-coded revolutions, currency crises, capital flight, cyber attacks and relentless propaganda. That's 4th Generation (4-G) warfare in a nutshell. And, guess what? The US attack on the ruble has shown that it is the undisputed master of this new kind of warfare. More important, Washington has just prevailed in a battle that could prove to be a critical turning point if Putin doesn't get his act together and retaliate.

Retaliate?!?

You mean nukes?

Heck no. But, by the same token, you can't expect to win a confrontation with the US by rerouting gas pipelines to Turkey or by forming stronger coalitions with other BRICS countries or by ditching the dollar. Because none of that stuff makes a damn bit of difference when your currency is in the toilet and the US is making every effort to grind your face into the pavement.

Capisce?

There's an expression in football that goes something like this: The best defense is a good offense. You can't win by sitting on the sidelines and hoping your team doesn't lose. You must engage your adversary at every opportunity never giving ground without a fight. And when an opening appears where you can take the advantage, you must act promptly and decisively never looking back and never checking your motives. That's how you win.

Washington only thinks in terms winning. It expects to win, and will do whatever is necessary to win. In fact, the whole system has been re-gearred for one, sole purpose; to beat the holy hell out of anyone who gets out of line. That's what we do, and we've gotten pretty good at it. So, if you want to compete at that level, you've got to have "game". You're going to have to step up and prove that you can run with the big kids.

And that's what makes Putin's next move so important, crucial really. Because whatever he does will send a message to Washington that he's either up to the challenge or he's not. Which is why he needs to come out swinging and do something completely unexpected. The element of surprise, that's the ticket. And we're not talking about military action either. That just plays to Uncle Sam's strong hand. Putin doesn't need another Vietnam. He needs a coherent gameplan. He needs a winning strategy. He needs to takes risks, put it all on the line and roll the freaking dice. You can't lock horns with the US and play it safe. That's a losing strategy. This is smash-mouth, steelcage smackdown, a scorched-earth event where winner takes all. You have to be ready to rumble.

Putin needs to think asymmetrically. What would Obama do if he was in Putin's shoes?

You know what he'd do: He'd send military support to Assad. He'd arm rebel factions in Saudi Arabia, Somalia, Nigeria and elsewhere. He'd strengthen ties with Venezuela, Bolivia, Ecuador providing them with military, intelligence and logistical support. He'd deploy his NGOs and Think Tank cronies to foment revolution wherever leaders refused to follow Moscow's directives. He would work tirelessly to build the economic, political, media, and military institutions he needed to impose his own self-serving version of snatch-and-grab capitalism on every nation on every continent in the world. That's what Obama would do,

because that's what his puppetmasters would demand of him.

But Putin must be more discreet, because his resources are more limited. But he still has options, like the markets, for example. Let's say Putin announces that creditors in the EU (particularly banks) won't be paid until the ruble recovers. How does that sound?

Putin: "We're really sorry about the inconvenience, but we won't be able to make those onerous principle payments for a while. Please accept our humble apologies." End of statement.

Moments later: Global stocks plunge 350 points on the prospect of a Russian default and its impact on the woefully-undercapitalized EU banking system.

Get the picture? That's what you call an asymmetrical attack. The idea was even hinted at in a piece on Bloomberg News. Here's an excerpt from the article:

"Sergei Markov, a pro-Putin academic, wrote in a column on Vzglyad.ru. "Since the reasons for the ruble's fall are political, the response should be political, too. For example, a law that would ban Russian companies from repaying debts to Western counterparties if the ruble has dropped more than 50 percent in the last year. That will immediately lower the pressure on the ruble, many countries have done this, Malaysia is one example. It's in great economic shape now." ([Is Russia ready to impose capital controls?](#) Chicago Tribune)

Here's more background from RT:

"Major banks across Europe, as well as the UK, US, and Japan, are at major risk should the Russian economy default, according to a new study by Capital Economics. The ING Group in the Netherlands, Raiffeisen Bank in Austria, Societe General in France, UniCredit in Italy, and Commerzbank in Germany, have all faced significant losses in the wake of the ruble crisis...

Overall Societe General, known as Rosbank in the Russian market, has the most exposure at US\$31 billion, or €25 billion, according to Citigroup Inc. analysts. This is equivalent to 62 percent of the Paris-based bank's tangible equity, Bloomberg News reported.

Following the drop, Raiffeisen, which has €15 billion at risk in Russia, saw its stocks plummeted more than 10 percent. Raiffeisen also has significant exposure in Ukraine, which is facing a similar currency sell-off as Russia." ([Russia crisis leaves banks around the world exposed by the billions](#), RT)

So Putin defaults which nudges the EU banking system down the stairwell. So what? What does that prove?

It proves that Russia has the tools to defend itself. It proves that Putin can disrupt the status quo and spread the pain a bit more equitably. "Spreading the pain" is a tool the US uses quite frequently in its dealings with other countries. Maybe Putin should take a bite of that same apple, eh?

Another option would be to implement capital controls to avoid ruble-dollar conversion and further capital flight. The beauty of capital controls is that they take power away from the big money guys who run the world and hand it back to elected officials. Leaders like Putin

are then in a position to say, “Hey, we’re going to take a little break from the dollar system for while until we get caught up. I hope you’ll understand our situation.”

Capital controls are an extremely effective of avoiding capital flight and minimizing the impact of a currency crisis. Here’s a short summary of how these measures helped Malaysia muddle through in 1998:

“When the Asian financial crisis hit, Malaysia’s position looked a lot like Russia’s today: It had big foreign reserves and a low short-term debt level, but relatively high general indebtedness if households and corporations were factored in. At first, to bolster the ringgit, Deputy Prime Minister Anwar Ibrahim pushed through a market-based policy with a flexible exchange rate, rising interest rates and cuts in government spending. It didn’t work: Consumption and investment went down, and pessimism prevailed, exerting downward pressure on the exchange rate.

So, in June 1998, Prime Minister Mahathir Mohammad... appointed a different economic point man, Daim Zainuddin. In September, on Daim’s urging, Malaysia introduced capital controls. It banned offshore operations in ringgit and forbade foreign investors to repatriate profits for a year. Analysts at the time were sharply critical of the measures, and Malaysia’s reputation in the global financial markets inevitably suffered.

According to Kaplan and Rodrik, however, the capital controls were ultimately effective. The government was able to lower interest rates, the economy recovered, the controls were relaxed ahead of time, and by May 1999 Malaysia was back on the international capital markets with a \$1 billion bond issue.” ([Is Russia ready to impose capital controls](#), Chicago Tribune)

Sure they were effective, but they piss off the slacker class of oligarchs who think the whole system should be centered on their “inalienable right” to move capital from one spot to another so they can rake-off hefty profits at everyone else’s expense. Capital controls push those creeps to the back of the line so the state can do what it needs to do to preserve the failing economy from the attack of speculators. Here’s a clip from a speech Joseph Stiglitz gave in 2014 at the Atlanta Fed’s 2014 Financial Markets Conference. He said:

“When countries do not impose capital controls and allow exchange rates to vary freely, this can give rise to high levels of exchange rate volatility. The consequence can be high levels of economic volatility, imposing great costs on workers and firms throughout the economy. Even if they can lay off some of the risk, there is a cost to doing so. The very existence of this volatility affects the structure of the economy and overall economic performance.”

That sums it up pretty well. Without capital controls, the deep-pocket Wall Street banks and speculators can simply vacuum the money out of an economy leaving the country broken and penniless. This nihilistic decimation of emerging markets via capital flight is what the kleptocracy breezily refers to as “free markets”, the unwavering plundering of civilization to fatten the coffers of the swinish few at the top of the foodchain. That’s got to stop.

Putin needs to put his foot down now; stop the outflow of cash, stop the conversion of rubles to dollars, force investors to recycle their money into the domestic economy, indict the central bank governors and trundle them off to the hoosegow, and reassert the power of the people over the markets. If he doesn’t, then the speculators will continue to peck away until

Russia's reserves are drained-dry and the country is pushed back into another long-term slump. Who wants that?

And don't think that Putin's only problem is Washington either, because it isn't. He's got an even bigger headache in his own country with the morons who still buy the hogwash that "the market knows best." These are the fantasists, the corporate toadies, and the fifth columnists, some of whom hold very high office. Here's a clip I picked up at the Vineyard of the Saker under the heading "Medvedev declares: more of the same":

(Russian Prime Minister) "Medvedev has just called a government meeting with most of the directors of top Russian corporations and the director of the Russian Central Bank. He immediately announced that he will not introduce any harsh regulatory measures and that he will let the market forces correct the situation. As for the former Minister of Finance, the one so much beloved in the West, Alexei Kudrin, he expressed his full support for the latest increase in interest rates."

This is lunacy. The US has just turned Russia's currency into worthless fishwrap, and bonehead Medvedev wants to play nice and return to "business as usual"??

No thanks. Maybe Medvedev wants to be a slave to the market, but I'll bet Putin is smarter than that.

Putin's not going to roll over and play dead for these vipers. He's got too much on the ball for that. He's going to beat them at their own game, fair and square. He's going to implement capital controls, restructure the economy away from the west, and aggressively look for ways to deter Washington from spreading its heinous resource war to Central Asia and beyond.

He's not going to give an inch. You'll see.

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