

The Functioning of the Russian Central Bank. The Ruble and the US Dollar

By [Inna Novikova](#)

Global Research, January 05, 2015

Pravda.ru

Region: [Russia and FSU](#)

Theme: [Global Economy](#)

The Central Bank of the Russian Federation does not have to support the Russian economy.

There is no paragraph in the [Constitution of the Russian Federation](#) (written during the 1990s) that would tell the Central Bank to act in this manner. For what purpose did the Central Bank set the Russian ruble free?

Pravda.Ru asked expert opinion from State Duma deputy [Yevgeny Fyodorov](#).

“All countries of the world are divided into two large groups. One group is called developed countries, and the other group - developing, or underdeveloped countries, better to say. In the past, underdeveloped countries were called colonies. Economies of all developed countries have one common feature - low interest rates. This is a key point. All underdeveloped countries - there are 90 percent of such countries in the world - have very high interest rates. The essence of high interest rates, including in Russia, is not to allow national currency onto national market. In order to let the Central Bank issue rubles in Russia, so that we could go to stores to spend them, the Central Bank needs to buy US dollars first. This rule is common for underdeveloped countries.

“The Russian Constitution says that the ruble should keep up rates. To this end, the [Central Bank](#) should keep up rates too, and the Central Bank has foreign exchange reserves for the purpose - \$450 billion to date. This amount exceeds cash ruble assets 2,5 times.

“In other words, Russia is not even a ruble country de jure. Russia is a dollar country. The [Russian ruble](#) takes a small share in the country. The whole segment of investment is based on [dollars and euros](#). The Constitution protects that, and the Central Bank of the country should keep the rate. Now, we have the situation when the Central Bank does not abide by the Constitution, because it raised the key rate and reduced the ruble rate. From the point of view of the Constitution, the Central Bank is obliged to keep the rate. The Central Bank violated the Constitution and Putin’s numerous instructions, but it was an absolutely logical move. The charter of the Central Bank does not contain a word about the Russian economy. It should not support the Russian economy. The law says that the Central Bank is governed by international agreements. The bank signs agreements that the Ministry of Justice does not even register. The administration of the Russian Central Bank is based outside Russia.

“There is no other central bank in the world that would not be allowed to support the national economy. The [Russian Central Bank](#) is the only exception. This is a specific peculiarity of the Russian Central Bank. The law even says that the bank is a branch of foreign companies in Russia. For example, the

Russian Central Bank is a depository of the IMF. The law of the Central Bank does not have a word about the Russian economy. Yet, it contains detailed instructions on how to follow and execute instructions from abroad. The law was made during the 1990s. Putin tried to amend it in the 2000s, but it did not work out. As a result, the Central Bank of the Russian Federation works for a foreign country under the Russian Constitution. This state imposes sanctions on Russia. The Russian Central Bank is obliged to execute instructions from the USA – the Americans set an official task to weaken the [Russian economy](#).

“All of us – the people, the government, the Central Bank, the government, MPs – we all work on the basis of the Constitution and laws. Our laws say that we have no sovereignty. The Central Bank works for a foreign country – this is an official norm of the Constitution.

“If you have low interest rates in developed countries, free rate works for you. If you have high interest rates, as in underdeveloped countries, free rate works against you. The free rate is good when you have a free country. When a country is a colony with high stakes, then the free rate, on the contrary, is pumping money out of the country.

“All our factories were built on foreign loans. If you want to build something, you have to raise a loan in a bank. Tractors, processing, refrigerators, logistics – everything is on loan.

“Naturally, all of this is connected to the ruble exchange rate, which the Central Bank refused to keep. The mechanism of price growth works through the credit system. The government, no matter how good or bad it could be, can show five or ten percent of its influence on economy. Ninety percent of influence on economy of any country is about the fiscal policy that state banks determine. A government is a regulator and a little bit a budget. The changing rate of the Central Bank stops financial flows that move economic life.”

[Read the original in Russian](#)

The original source of this article is Pravda.ru
Copyright © [Inna Novikova](#), Pravda.ru, 2015

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Inna Novikova](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca
www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca