

“Macroeconomic Warfare”: Western Interests Aim To Flummox Russia Through Financial Manipulation, Privatization and Neoliberal Reforms

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Global Research, February 14, 2017

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Region: [Russia and FSU](#)

Theme: [Global Economy](#)

An article by Robert Berke in [oilprice.com](#), which describes itself as “The No. 1 Source for Oil & Energy News,” illustrates how interest groups control outcomes by how they shape policy choices.

Berke’s article reveals how the US intends to maintain and extend its hegemony by breaking up the alliance between Russia, Iran, and China, and by oil privatizations that result in countries losing control over their sovereignty to private oil companies that work closely with the US government. As Trump has neutered his presidency by gratuitously accepting Gen. Flynn’s resignation as National Security Advisor, this scheme is likely to be Trump’s approach to “better relations” with Russia.



Berke reports that Henry Kissinger has sold President Trump on a scheme to use the removal of Russian sanctions to pry President Putin away from the Russian alliance with Iran and China. Should Putin fall for such a scheme, it would be a fatal strategic blunder from which Russia could not recover. Yet, Putin will be pressured to make this blunder.

One pressure on Putin comes from the Atlanticist Integrationists who have a material stake in their connections to the West and who want Russia to be integrated into the Western world. Another pressure comes from the affront that sanctions represent to Russians.

Removing this insult has become important to Russians even though the sanctions do Russia no material harm. We agree with President Putin that the sanctions are in fact a benefit to Russia as they have moved Russia in self-sufficient directions and toward developing relationships with China and Asia. Moreover, the West with its hegemonic impulses uses economic relationships for control purposes.

Trade with China and Asia does not pose the same threat to Russian independence. Berke

says that part of the deal being offered to Putin is “increased access to the huge European energy market, restored western financial credit, access to Western technology, and a seat at the global decision-making table, all of which Russia badly needs and wants.”

Sweetening the honey trap is official recognition of “Crimea as part of Russia.”

Russia might want all of this, but it is nonsense that Russia needs any of it. Crimea is part of Russia, as it has been for 300 years, and no one can do anything about it. What would it mean if Mexico did not recognize that Texas and California were part of the US? Nothing. Europe has scant alternatives to Russian energy. Russia does not need Western technology. Indeed, its military technology is superior to that in the West. And Russia most certainly does not need Western loans. Indeed, it would be an act of insanity to accept them.

It is a self-serving Western myth that Russia needs foreign loans. This myth is enshrined in neoliberal economics, which is a device for Western exploitation and control of other countries. Russia’s most dangerous threat is the country’s neoliberal economists. The Russian central bank has convinced the Russian government that it would be inflationary to finance Russian development projects with the issuance of central bank credit. Foreign loans are essential, claims the central bank. Someone needs to teach the Russian central bank basic economics before Russia is turned into another Western vassal. Here is the lesson:

When central bank credit is used to finance development projects, the supply of rubles increases but so does output from the projects. Thus, goods and services rise with the supply of rubles. **When Russia borrows foreign currencies from abroad, the money supply also increases, but so does the foreign debt.** Russia does not spend the foreign currencies on the project but puts them into its foreign exchange reserves. The central bank issues the same amount of rubles to pay the project’s bills as it would in the absence of the foreign loan.

All the foreign loan does is to present Russia with an interest payment to a foreign creditor. Foreign capital is not important to countries such as Russia and China. Both countries are perfectly capable of financing their own development. Indeed, China is the world’s largest creditor nation. Foreign loans are only important to countries that lack the internal resources for development and have to purchase the business know-how, technology, and resources abroad with foreign currencies that their exports are insufficient to bring in. This is not the case with Russia, which has large endowments of resources and a trade surplus. China’s development was given a boost by US corporations that moved their production for the US market offshore in order to pocket the difference in labor and regulatory costs.

Neoliberals argue that Russia needs privatization in order to cover its budget deficit. Russia’s government debt is only 17 percent of Russian GDP. According to official measures, US federal debt is 104 percent of GDP, 6.1 times higher than in Russia. If US federal debt is measured in real corrected terms, US federal debt is 185 percent of US GDP.

<http://www.paulcraigroberts.org/2014/07/08/deteriorating-economic-outlook/>

Clearly, if the massive debt of the US government is not a problem, the tiny debt of Russia is not a problem. Berke’s article is part of the effort to scam Russia by convincing the Russian government that its prosperity depends on unfavorable deals with the West. As Russia’s

neoliberal economists believe this, the scam has a chance of success. Another delusion affecting the Russian government is the belief that privatization brings in capital. This delusion caused the Russian government to turn over 20 percent of its oil company to foreign ownership. The only thing Russia achieved by this strategic blunder was to deliver 20 percent of its oil profits into foreign hands. For a one-time payment, Russia gave away 20 percent of its oil profits in perpetuity.

To repeat ourselves, the greatest threat that Russia faces is not sanctions but the incompetence of its neoliberal economists who have been throughly brainwashed to serve US interests.

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