

# Russians Anticipate Dollar and Bush Crash

by Rachel Douglas

Russia is getting ready for the dollar to crash. Preparedness measures have moved from the realm of published warnings, to concrete actions, such as the Central Bank's decision to put the gold chervonets coin into circulation. The short-term purpose of that move is to attract Russians' savings out of the dollar, in a country where \$100 billion or more is held in cash (U.S. Federal Reserve Notes). Beyond that result, the Russian currency shift could become a stepping stone to more profound changes in international monetary policy—as nations seek safety from the disintegration of the Anglo-American-centered world financial system.

The Bank of Russia (Central Bank) acted on July 10, making the gold chervonets legal tender. The coins were minted as prospective souvenirs in 1980, at the time of the Moscow Olympics in the Soviet Union, but the more interesting historical reference point is the 1920s coin, of which the modern chervonets is a replica. That currency was introduced at the initiative of Soviet Foreign Minister Chicherin in connection with the Soviet-German Rapallo agreements, acting at odds with the Versailles Treaty powers. That chervonets was used exclusively for foreign settlements.

The revived chervonets is being discussed in the Russian press, as related to the coming crash of the U.S. dollar. *Kommersant* wrote that the chervonets, taken out of mothballs in the Bank of Russia's depository, may become "a full-blown circulating currency, which the Russians may soon choose as an equivalent for personal savings instead of the U.S. dollar."

On July 4, Pavel Bykov wrote in the financial weekly *Ekspert*, "The gold chervonets is back in Russia. The Bank of Russia could not have picked better timing for its comeback. . . . Withdrawing some amount of rubles from circulation and replacing it with chervontsy [plural], minted in the former Soviet Union but unsuitable for any other use since then, is not a bad combination. All the better, if the chervonets manages to crowd out the U.S. dollar and Russians start using it as an alternative savings currency." The Central Bank's action, according to *Ekspert*, "shows that the bank is seriously interested in creating a liquid market for the gold coins. After all, a dollar is just a piece of paper, while Russia has always preferred more valuable things. . . ."

## Better than Bathroom Wallpaper

It was the outspoken economist Tatyana Koryagina, who suggested in her testimony to Sergei Glazyev's State Duma

hearings on June 29 (*EIR*, July 6 and 20) that holders of dollars will soon be able to use them for nothing but wallpapering their toilet stalls. She was interviewed by the newspaper *Pravda* on July 12, about her forecasts of a mid-August blow-out of the entire world financial system, the U.S. economy and the dollar first and foremost. Koryagina's forecast of an August U.S.-centered financial breakdown is clearly being debated throughout Russia: July 16 saw press conferences by Economics Minister German Gref to claim that no financial breakdown is threatening Russia; and by Duma markets committee chairman Andrei Shokhin to say that American authorities were taking steps to prevent what Koryagina and LaRouche forecast.

To *Pravda*, she repeated her warning—"Yes, the budget of that country is several trillion dollars, but the foreign debt of the United States is \$26 trillion; it is a bankrupt nation"—Koryagina said that the solution was on the record:

"The measures Russia should carry out in order to avoid the consequences of the global crisis, triggered by the financial catastrophe in the United States, are described in detail in the document, prepared by the Duma's Economic Policy Committee on the basis of the [June 29] hearings, and conveyed to Vladimir Putin."

Those were the hearings, where Lyndon LaRouche gave the lead-off testimony, on how to organize and finance Eurasian and worldwide economic development, by common action of sovereign nation-states to replace the defunct speculative system.

Moreover, Koryagina suggested that Russian citizens already now should "change dollars for rubles," and gave a nod to the Bank of Russia's latest actions: "I am closely watching the measures taken by the President and the Central Bank. From the standpoint of pre-crisis measures, they are acting properly. It is possible that after August 19, the ruble may become a rather good currency."

At Glazyev's hearings, he and several other Russian experts urged that the Bank of Russia diversify the national gold and currency reserves, reducing the portion of U.S. dollars in favor of other currencies. Glazyev also urged "to think about strengthening the ruble, not in terms of strengthening the ruble's exchange rate, but in terms of expanding its sphere of utilization as a full-fledged Russian currency, which would be defended against the possible destabilizing effects of the global financial system."

The last time there was public consideration of changing Russia's dollar orientation, was in the aftermath of the August 1998 collapse of the ruble and default on the ruble-denominated GKO government bonds. In January 1999, maverick economist Artur Sazonov floated a plan for a "gold-backed ruble," linked to the European Monetary Union currency, the euro. *Komsomolskaya Pravda* wrote it up at that time, under the headline, "Why Not a Gold Ruble, Gentlemen? Introduction of New European Currency Makes You Wonder Whether Russia Should Be Going Along With the Dollar."

Sazonov proposed linking the new currency to the euro, not just for the sake of exploiting a putative “euro vs. dollar” rivalry, but to replicate some of the credit and development features of the 1920s arrangements. He proposed that circulation of the dollar inside Russia be banned, and that payment for Russian oil, gas, and other raw materials sold to Europe be accepted only in gold rubles. *Komsomolskaya* commented at that time, “If the ‘golden ruble’ idea is adopted, we could print as many ordinary rubles as we like without fear of inflation. . . . The initial task of the ‘gold ruble’ would be to squeeze the dollar out of the country, but gradually it would also replace the ‘ordinary’ ruble.”

Two and a half years later, the Central Bank has moved towards such new arrangements, with its decision to circulate the chervonets.

### ‘The Coming Collapse’

Moscow analysts are linking the coming crash of the dollar, to the sour turn in the fortunes of George W. Bush. These are hot topics in Russian parliamentary and government circles, as well.

In May, a book titled *The Collapse of the World Dollar System: Near-Term Prospects* was published under the auspices of Yuri Maslyukov, the industry specialist who was First Deputy Premier in Yevgeni Primakov’s government (September 1998-May 1999), and now chairs the State Duma Committee on Industrial Policy. In it, a dozen prominent experts—some of whom also testified at Glazyev’s June 29 hearings—demonstrated the unsustainability of the financial bubble in the United States. Several of those analysts, however, gave voice to a misevaluation of the G.W. Bush Administration, suggesting that the global financial crisis would make Bush disengage from foreign policy and ease up on countries that have been oppressed by the international financial institutions.

Each new month of Bush’s tenure does more to demolish those illusions, as was reflected in a July 6 commentary by Sergei Shishkaryov, carried on the website Strana.ru. Shishkaryov is deputy chairman of the State Duma Committee on Foreign Affairs, and a member of the People’s Deputy grouping in the Duma. “Something is rotten in ‘the kingdom of America,’ ” wrote Shishkaryov.

The Russian parliamentarian drew attention to European criticisms of Bush, commenting that “at the center of the European politicians’ concerns are the growing problems in the American economy.” And, he reviewed the anger of the Russian people, as well as political leaders, at a Bush foreign policy that has offended Russia “painfully and often.”

But all of this criticism from abroad, said Shishkaryov, is “rather calmer and more restrained,” than the attacks on Bush at home. The example Shishkaryov selected to highlight, was none other than the diagnosis of Bush’s self-doom, given by Lyndon LaRouche at the May 2001 Bad Schwalbach, Germany conference of the Schiller Institute (*EIR*, May 28, 2001). Shishkaryov concluded:

“Now I shall cite several passages from American authors, which contain political accusations against the President. ‘Bush is a perfect fascist. We don’t have a fascist regime yet in the United States. But we have a fascist party in power, within the Republican Party, represented by a President who’s an integral part of that. This man is a Nietzschean personality, and if you’ve watched some of the things that he’s done, and his administration has done, they do not consider the consequences of their actions.’ . . .

“Pretty sharp criticism, against a President who has been in office less than a year, isn’t it? Its author is a respected member of the U.S. Democratic Party, and even an announced candidate for that party’s Presidential nomination in 2004, Lyndon LaRouche—an economist by profession, and founder and publisher of *Executive Intelligence Review* (from where these quotations are taken). True, LaRouche assures us that no new ‘evil empire’ will come off, due to the mental level of the current residents of the White House. . . .

“The signs of crisis, which really are to be observed in the American economy, can be used to a certain extent by Bush’s opponents, as a means of manipulating American and world public opinion. As for foreign politicians and observers, it would seem that, in part, they have failed to understand the problem, and, in part, they have not figured out what consequences it will have for them. But, this will have to be figured out. The stakes are too high.”

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