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Problems and Prospects of the Russian Financial Market in the Context of Structural Changes in the World Economy

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ABSTRACT

The article is based on the author's report "On the root causes of the growing chaos and measures to overcome the economic crisis"*. The **aim** of the article is to analyze the problems of the modern financial market system in the world and in Russia and to give practical recommendations on how to overcome them. The **framework** of the study was the statistical data of foreign and Russian agencies and financial organizations. The article employed general scientific **methods** of cognition: analysis, synthesis, system approach, and comparison. As a **result,** the paper provides a complete picture of the systemic economic crisis unfolding against the backdrop of the coronavirus pandemic in the world and in Russia. The author indicates its causes and consequences. The work presents concrete recommendations to overcome the crisis. The author **concludes** that even in the worst-case scenarios of the global crisis, Russia will be able to improve its position in the world economy by pursuing policies to its own advantage.

Keywords: world economy; recession; pandemic; financial markets; economic crisis; currency regulation; financial system.

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INTRODUCTION

The world economic system has entered a steep peak: it is not even a blow-up regime when multinational banks and corporations driven by a desire to write off or minimize their obligations provoke global financial vortices. This is the chaos of the hybrid war.

The world economy is collapsing under a new means of mass destruction and cognitive suppression — the pandemic of humanity’s fear of coronavirus. Under the cover of sanitary force-majeure circumstances, the world economy was not only navigated into recession, but a new economic reality was created. There is a profound restructuring of the entire system of economic ties and relations. To understand the logic of the catastrophic events that shock Russia and the world today, and to forecast their further development, it is necessary to understand the long-term patterns of economic development.

PROBLEMS OF THE MODERN SYSTEM OF FINANCIAL MARKETS

Many observers consider that leading oligarchic clans, who aim to sterilize the excess money supply and redistribute assets in their favor, manage the unfolding financial crisis. However, its scale may exceed the stabilization capacities of the American monetary authorities (*Fig. 1*).

As can be seen from the forecast, the US budget deficit may be much higher than that of the 1930s (when the dollar was tied to gold), twice as high as of 2009 and consistent with the level of World War II. Doubling the Fed’s balance in one year has never happened in history, so the consequences of such monetary pumping can be very bad. This scenario has the risk of a quick transition to hyperinflation (patterned after Germany in the early 1920s or Russia in 1992).

Accelerating the already unprecedented money issue of the last decade may cause the spread of galloping inflation from the financial to the consumer markets. The collapse of the incredibly inflated financial bubbles of derivatives, which became even larger after the 2008 global financial crisis, will lead to the bankruptcy of many funds and banks that could paralyze the banking system and, probably, stop investments (*Fig. 2*).

Fig. 1. **Forecasts of the budget deficit and the balance of the Federal Reserve System (FRS)**

Source: Chetan Ahya, Morgan Stanley chief economist.

Modern IT system of financial markets is based on automatic algorithms performed by robots, whose operations are programmed by certain rules. Applying these rules is tough and generates cyclical financial market failures (*Fig. 3*).

Over the past decade, the dollar monetary base has grown almost fivefold. At the same time, the bulk of the money increment is held in financial markets and forms a money overhang, which inevitably should have collapsed (*Fig. 4*).

The coronavirus pandemic has become the reason for key players manipulating the US financial market to start collapsing inflated financial bubbles. Due to the “coordinated” work of financial robots by established decision-making algorithms for securities sales, the market crash quickly acquired an avalanche-like and uncon-

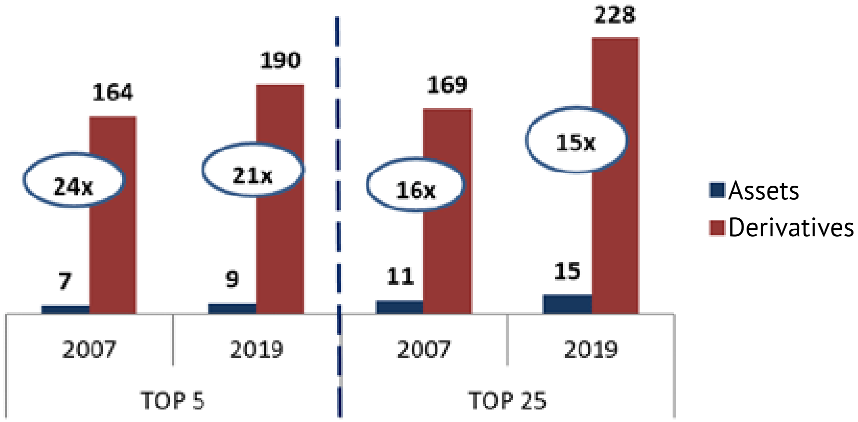

Fig. 2. **Largest (top-5 and top-25) American financial holdings – holders of derivatives: size of derivatives, assets (trillion dollars) and their ratio (times)**

Source: Ershov M. [8]; according to the Office of the Comptroller of the Currency.

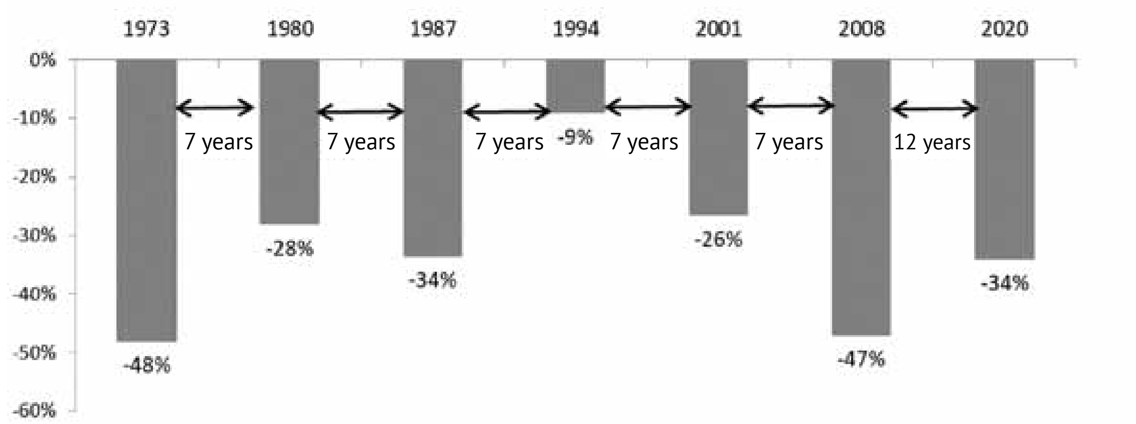

Fig. 3. **Cycle of Failure (dynamics of the S&P 500 Index, %)**

Source: Ershov M. [8]; Bloomberg.

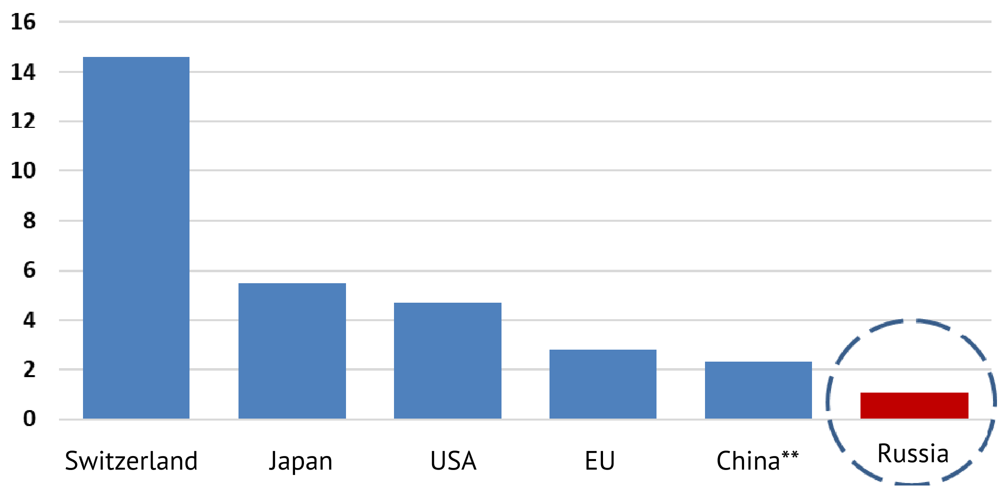

Fig. 4. **The increment in the monetary base of a number of currencies (2007 - March 2020), times***

Source: Ershov M. [8]; based on the central bank data of the respective countries.

Note: * calculated in US dollars at the corresponding rate. ** calculated by M0.

trolled nature, intensified by the chain reaction of margin calls over bank credit networks.

The most severe collapse of the global financial market always occurs on its periphery, in the so-called "newly emerged markets" with free floating of capital, including the Russian one. According to automatically operating algorithms, in the event of a collapse in the US securities exchange rate, financial robots first dump the assets of these markets and collect liquidity to keep the main assets in the center of the global financial system.

Unlike Russian regulators, biased by the virus of the Washington Consensus, China and other countries that are forming institutions of a new world economy have active constraints on capital export, which protect them from the spasms of the global financial system. They work on the nipple principle — they let in foreign investments with no limits, and release them according to certain rules, blocking speculative attacks against the national monetary and financial market. These countries do not care about the US financial storm. Against the one and a half-time decline in the US stock market and almost double decline in Russia, the Chinese market is low by 10%.

No doubt that the Chinese economic reproduction system will come out of the recession even stronger. Its monetary authorities took advantage of the decapitalization of the financial market to consolidate national control over segments of the Chinese economy dependent on foreign shareholders. It will undoubtedly become even more effective due to the fall in energy and commodity prices, as well as more attractive for foreign investment. Although the decline in production due to the shutdown of enterprises during the epidemic is estimated at 50–70 billion dollars, it will recover quickly, while the US and the EU have yet to survive it. At the same time, China managed to avoid bankruptcies of systemic banks and companies owned and supported by the state, which fully controls the country's banking system, its transport, energy and social infrastructure.

According to the Basel III requirements, leading European, American and Japanese banks could have been closed even before the current crisis due to insufficient or negative value of equity. They were keeping up and could only service their obligations due to gigantic money issue. If financial bubbles, even bigger than in the 2008 global financial crisis, collapse, the covenants of most of their corporate borrowers will be broken and the snowball of non-payments will make the banking system go through insolvency. To prevent this, the US Federal Reserve decided to inject $2.5–3 trillion, along with $2.2 trillion to support the households by the US government. Most of these funds will be concentrated in the financial sector and will be used not to maintain production, but to pump financial bubbles. Thus, a one and a half, unsecured increment in the monetary base will not be associated with the growth of commodity production and, according to traditional monetarist ideas, should inevitably cause macroeconomic destabilization.

To stop the negative consequences of the previous, 2008 global financial crisis, unprecedented measures were taken to save systemic banks. According to the Congressional Committee, the US Federal Reserve issued $16 trillion injected into twenty American and European banks [1]. To prevent the bankruptcy of European countries, the rest of the G20 countries have chipped in the amount of $430 billion transferred to the IMF to finance the anti-crisis program.

Today the situation has changed. First, the scale of financial bubbles is much larger than the pyramids of derivatives that collapsed in 2008. Over the past period, the monetary base of dollars, euros and pounds has increased five-fold and most of this issue (with money and credit multipliers) was spent on inflating financial bubbles. Pyramids of derivatives became 30–50% bigger. Therefore, financial market downdraft will be bigger. Today, its capitalization has fallen by more than a third, and the scope of unfulfillable obligations is estimated at $15 trillion, which is 70% of the US money supply.

Second, one should not expect the same international solidarity in the fight against the financial crisis, as was experienced when creating the G20. Today, it is already clear that the G20 is being manipulated by Washington, since all its decisions are prepared by American experts, and officials from other countries follow them and convince their political leadership to follow in the wake of the United States. The promised IMF reform actually turned into an imitation. Established at the suggestion of the G7 countries, the Financial Stability Board essentially provides oversight of the financial authorities of other countries and controls the free flow of their money. It is unlikely that plundered last time by the United States and its allies, the PRC, Russia, Argentina, India, and other countries will again

The collapse of the dollar financial system is highly probable. The USA are waging the hybrid war against China, Russia, Iran and other countries who already take measures to reduce their dependence on the dollar.

agree to be the donors in the context of the hybrid war launched against them by Washington.

Third, the US financial sanctions discredited the dollar as a world currency. For Russia, Iran, Venezuela, China and many other countries affected by these sanctions, the US dollar has become a toxic currency; all transactions in the dollar have acquired increased risk. The measures to de-dollarize foreign exchange reserves and mutual trade provoke an escape from the dollar, which may acquire an avalanche-like nature and drastically narrow the financial base for servicing the US public debt. In this case, the inevitable decline in external demand for their treasury obligations will have to be replaced by money issue that may introduce growing the US public debt into a blow-up regime, where the system loses stability and falls into a spin. The prerequisites were created by the previous US state debt accumulation period (today it amounts to $23.6 trillion), which has long been serviced on the principle of pyramid scheme due to unlimited money issue.

Fourth, there is a high probability of galloping inflation flowing from the US financial market to the real sector and to the consumer market. Amid the disorganization of the financial market, the money remaining after the collapse of financial bubbles can flow to consumption of material goods. On the one hand, this will contribute to the growth of investments and economic recovery. On the other hand, their volume is so much greater than the issue capacity that it will inevitably cause inflation and disorganization of the reproduction of the economy.

Thus, the collapse of the dollar financial system is highly probable. The USA are waging the hybrid war against China, Russia, Iran and other countries who already take measures to reduce their dependence on the dollar. They build their interbank information exchange networks that replace SWIFT, switch to settlements in national currencies, diversify foreign exchange reserves, and exchange currency-credit swaps. Thus, they protect themselves from the consequences of an uncontrolled deployment of the financial crisis, which draws liquidity into the center of the American financial system. In any case, the American financial system will weaken, and an alternative formed in the Asian cycle of capital accumulation will develop. This means, the US financial capabilities will inevitably squeeze and non-equivalent international economic exchange will reduce in their favor. This, in turn, will entail a sharp decline in the military and political power of the United States, which will have to reduce grossly bloated military expenses and form an enormous state budget deficit.

Further development of the global financial crisis will be objectively accompanied by China's reinforcement and the US weakening. Countries on the periphery of the US-centered financial system, including the EU and Russia, will also suffer significantly. The issue is only about the scale of these changes.

Lasting for more than a decade, the Great Stagnation of the Western economies will at best continue for a few more years until the capital remaining after the collapse of financial bubbles is invested in the production of a new technological structure and can "ride" a new long Kondratieff wave.

In the worst-case scenario, the monetary pumping of the financial system will result in galloping inflation, followed by disorganization of the reproduction of the economy, a drop in the living standard of the population and a political crisis. The United States ruling elite will then have two options: to put up with the loss of global dominance and participate in developing a new world economic structure or to escalate the world hybrid war that they have been waging. Although objectively they will not be able to win this war, they may cause catastrophic, even fatal, damage to humanity.

However, no tactical moves will ensure the United States victory in economic competition with the PRC and other countries of Southeast Asia. Trump's aggressive policy only strengthens the desire of the PRC and other countries to get rid of monetary and technological dependence on the United States, stimulating them to force the development of a new world economic order and key industries of a new technological order. They manage to do this much more efficiently and faster than the United States, whose ruling elite resists institutional changes.

Thus, the events in the USA head to the worst-case scenario. Coronavirus psychosis reinforces this trend, as it creates the conditions for consolidation of power by law enforcement agencies. As soon as Trump's simple methods of scattering money to those in need show their inefficiency, panic and discontent among the population can provoke a political crisis, which will increase the aggressiveness of the American ruling elite.

It is possible that financial oligarchy, transferred from securities to gold, will have to sit on this gold for a long time: the financial market will not recover, familiar assets will depreciate, investment funds and banks will burst. Instead of establishing a long-awaited world government, it will have to agree, same as in the 19th century, with national states on the conditions for capital investments.

NEW ARCHITECTURE OF INTERNATIONAL MONETARY AND FINANCIAL RELATIONS

The financial market collapse may become systemic due to the countries fencing off from each other, which will affect the financial system. Going beyond financial stability due to increasing budget deficits, sovereign states will rely on the creation of domestic sources of credit and protect their markets from raids by financial speculators and capital outflows. Restoring restrictions on cross-border capital transactions will break the economic reproductive circuit of the American capital accumulation cycle. Already torn by the hybrid war, the legal circuit will not protect it from the avalanche of nationalization of American assets in countries affected by US aggression. Their refusal to use the dollar will provoke the collapse of the financial pyramid of the US public debt, which will entail reducing their military expenses and destructing the political reproductive contour of their global dominance. Destructing the reproductive system of the American cycle of capital accumulation will accelerate as the US-exploited countries get out of their control.

The main objectives of American aggression are China, which has become the world leader in the emerging new world economy, and Russia, which leverages the US military and political advantages with its nuclear missile shield. The strategic partnership between Russia and China is an insurmountable obstacle for the American ruling elite to establish world dominance of the financial oligarchy. The US power is based on the issue of world money, whose capabilities are limited by the political will of sovereign states able to create and use their national currencies in international cooperation. If China and Russia can create a monetary and financial system independent of the dollar, at least for the SCO, the outcome of the world hybrid war will be a foregone conclusion. Without fueling its balance of payments by the endless issue of world currency, the American empire will quickly lose its military and political power.

A feature of noonomy is the leading role of knowledge in the management of socio-economic development at the national and global level [2]. As soon as the mechanism for issuing world money is no longer a secret for the national monetary authorities of sovereign states, the dominance of US-European oligarchic clans in the global financial market will end. The weakness of their position lies in the fiat (fiduciary) nature of modern money, whose purchasing power is based on trust formed by state power. Trust in the dollar is based on the US military, political, and economic power, which erodes quickly as the hybrid war unfolds. Each act of American aggression, although it brings short-term political dividends, but worsens the situation of the United States in the long and even medium term. Due to a higher efficiency of the economic development management system of China, the United States is doomed to defeat in the Trump-led trade war. Financial sanctions against Russia shake faith in the dollar as a world currency. Another collapse of the US financial market destroys the American capital accumulation center.

Ceasing American aggression and creating an economic security zone in Eurasia should become the top priority. The easiest way to do so is by de-dollarizing mutual trade and joint investments, which will lead to the collapse of the dollar financial pyramid and the US military and political power based on the issue of world money. In the future, this will lead to the creation of a new international monetary and financial architecture based on the principles of mutual benefit, justice and respect for national sovereignty.

The new architecture of international monetary and financial relations should be formed on a contractual basis. The countries issuing world reserve currencies must guarantee their stability by observing certain constraints on the amount of government debt and the deficit of payment and trade balance. Besides, they should comply with the requirements established by international law for the transparency of their mechanisms to ensure the issuance of their currencies and enabling their unhindered trade of financial assets across their borders.

It is worth classifying national currencies that claim the role of world or regional reserve currencies, by categories depending on compliance by their issuers with the requirements established in the international agreement. The new monetary and financial architecture should also cover calculations in digital currency instruments using blockchain, which implies introducing relevant requirements to ensure their transparency and identification of participants, as well as the harmonization of national regulatory standards. In the future, it is possible to issue world settlement currency in digital form, tied to a basket of national currencies of coalition members, gold prices and major exchange commodities.

Forming a new architecture of international monetary and financial relations resonates with all countries at risk of a hybrid war from the United States and issuers of other world currencies, as well as those who want to get rid of colonial dependence and nonequivalence of foreign economic exchange.

To join the emerging core of the new world economic structure of Russia, it is necessary to break out of the peripheral state and dependence on the American-centered monetary and economic system [3]. However, the current Russia's position is worsening in the context of the ongoing structural changes in the world economy, and the prospects for its further development remain uncertain.

PROSPECTS OF RUSSIAN ECONOMIC DEVELOPMENT IN THE CONTEXT OF STRUCTURAL CHANGES IN THE WORLD ECONOMY

The government announced a bailout package, which includes introducing a support vehicle for interest rates on credits to trade organizations for food and essential commodity stocks, as well as to developers under project financing; providing credit organizations with the possibility of temporary non-deterioration in assessing the quality of debt service; granting tax deferral to industries affected by the worsening situation; expanding the program for subsidizing access of small and medium-sized businesses to borrowed funds and the possibility of restructuring previously issued credits, etc.

In all reasonableness and, possibly, effectiveness for some sectors of the economy, these measures do not affect the fundamental reasons for Russia's vulnerability to the global crisis and American aggression. The main reason is that the Russian financial system is completely open to attacks by currency speculators and the monetary policy is subordinate to their interests. If the Bank of Russia policy does not comply line with national security requirements, constitutional obligations ensuring the stability of the rouble, and the goals of accelerating economic development, the efforts of the President and Government will be lost.

VULNERABILITY OF THE RUSSIAN ECONOMY IN A CRISIS

The vulnerability of the Russian economy to external threats is determined by its peripheral position in the global financial and trading system. Following the IMF recommendations, Russian monetary authorities keep the national financial market open to international speculators and closed to the real sector of the economy. Holding the key rate above the average profitability of the real sector of the economy and limiting its operations solely to raising money from commercial banks, the Bank of Russia blocks lending to manufacturing enterprises. At the same time, the monetary authorities artificially keep the money supply in speculative circulation, in fact subsidizing the involvement of foreign speculators at the expense of the state by overestimating the yield of government debt obligations, which is three times higher than the market risk assessment. Borrowing dollars, pounds and euros at quasi-zero interest rates, international speculators are investing in much more profitable Russian obligations. This practice of "carry trade", well known for its negative consequences, works like a pump drawing off Russian national income abroad. The annual volume of such "state subsidies" to speculators is 2–3% of GDP.

In fact, the monetary policy in Russia serves the interests of financial speculators. The monetary authorities guarantee them super-profits and stimulate the money flow from the real to the financial sector, and further abroad. At the same time, the bulk (60% to 90%) of the turnover in the Russian currency and financial market is made by American hedge funds, as well as by the affiliated parties. After the Bank of Russia allowed the rouble for the free floating exchange rate, it is them who manipulate it and swing it to extract super-profits by depreciating rouble income and savings of Russian individuals and legal entities.

The general damage from the monetary policy pursued by the Bank of Russia since the implementation of the IMF recommendations on switching to the free float of the rouble and bloating the key rate in 2014 is estimated at 25 trillion roubles of under-manufactured products and more than 10 trillion roubles of not accomplished investments [4]. At the same time, by manipulating the rouble exchange rate, speculators were quids in dozens of billions of dollars, and the capital export during this period amounted to about $250 billion. The attack on the rouble alone in December 2014 brought its organizers a speculative profit of $15–20 billion. We can assume that the losses from the current attack of 2020 will be no less.

The Russian economy needs a substantial expansion of the money supply to restore the domestic market, increase innovation and investment activity in order to modernize and accelerate development.

Another consequence of this policy was the unprecedented offshoring and vulnerability of the Russian economy to financial sanctions. They achieve their goals easily, as was clearly demonstrated by establishing American control over Rusal. Given that more than half of the ownership rights to industrial enterprises are registered with non-residents from Anglo-Saxon offshore jurisdictions, American customers can absorb a significant part of the Russian economy. The Russian mega-regulator is not taking any measures to protect it from the hybrid war waged by the United States, thus, indulging the aggressor.

With no restrictions on cross-border speculative transactions, the Russian financial market will remain a mere toy in the hands of American speculators, profiting from its buildup. The ongoing unlimited issue of the dollar, euro, pound and yen (their volume in-

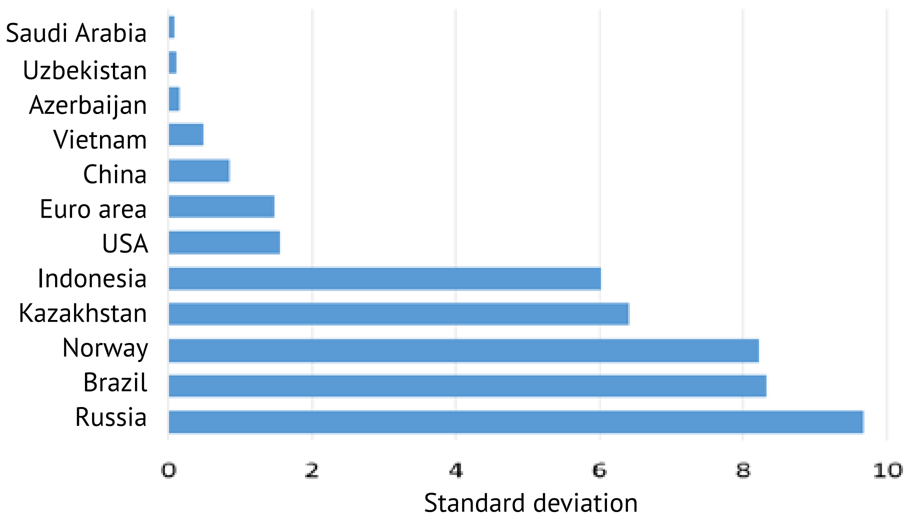

Fig. 5. **Exchange rate volatility of national currencies of oil-producing countries in January-March 2020**

Source: Bloomberg, ECE calculations.

Note: 1) standard deviation of the daily change in the exchange rate to the US dollar, calculated for the period from 01.01.2020 to 03.25.2020;

2) * US dollar index (DXY) shown for the USA.

creased by more than 5 times after the beginning of the 2008 global financial crisis, to almost $20 trillion) creates flows of speculative capital of gigantic power. Even a small flow of this capital into the Russian market will cause its destabilization, as well as create risks of hostile takeover of Russian assets that threaten national security.

Unfortunately, no conclusions were made from the negative experience of the 2008 and 2014 crises, when the Russian economy suffered much more than any of the G20 countries. Today, the monetary authorities make the same mistakes, whose consequences have negatively affected the stagnant economy for already 5 years. At the same time, the mechanism for a speculative attack on the Russian monetary and financial system remains the same and includes the following plan of action.

1. The introduction of the US and EU sanctions in order to close external sources of credit to Russian companies. Today they hit Rosneft, Gazprom, Rusal, Rostec, generating most currency earnings.

2. The stock value collapse of Russian enterprises aiming at depreciating collateral and early termination of credit agreements, launching a chain reaction of "margin calls" that provokes an avalanche of bankruptcy. Given the criminalization of the bankruptcy institution, this entails a long-term decline in the efficiency of the Russian economy and predetermines a decrease in its competitiveness.

3. The collapse of the national currency to reduce refinancing foreign debts of companies from rouble assets. The Central Bank's decision on switching to free floating exchange rate of the rouble in 2014 allowed speculators to lower the rouble exchange rate with no risk and to destabilize the macroeconomic situation. They are doing the same today. Both then and now, the depreciation of the rouble far exceeded the potential impact of lower oil prices. This is evidenced by the relative stability of the national currencies of other oil-producing countries (*Fig. 5*).

If we compare this graph with the distribution of countries according to exchange rate regulation regimes (*Fig. 6*), it becomes obvious that it is them who determine the volatility of national currencies, and not oil prices.

Russia, Brazil and Norway with free floating exchange rates are leading here. Four other oil producing countries — Saudi Arabia,

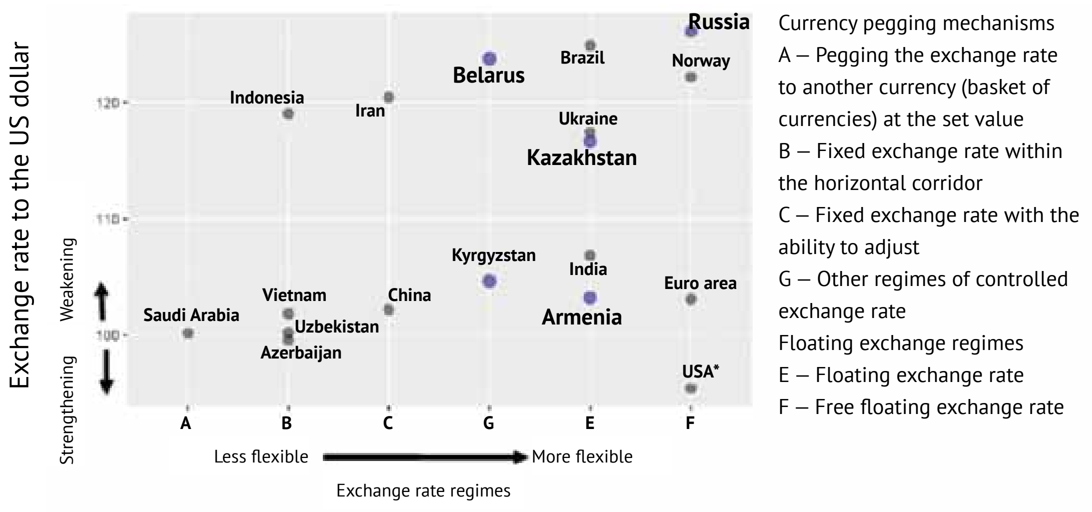

Fig. 6. **Change in currency exchange rates depending on their regimes**

Source: IMF AREAER 2018 (April 2019), Bloomberg, ECE calculations.

Note: 1) change in exchange rate calculated for the period from 01.01.2020 to 03.25.2020, where 01.01.2020 = 100;

2) exchange rate regime indicated for 2017 (the last available at the IMF AREAER 2018);

3) * US dollar index (DXY) shown for the USA.

Uzbekistan, Azerbaijan and Vietnam — have maintained the stability of their currencies, since they apply the regimes of pegging the exchange rate to another currency at the set value and a fixed exchange rate within the horizontal corridor.

In March 2020, the Bank of Russia stepped back providing exchange rates to speculators. They use oil price fluctuations as a natural link to the algorithms of financial robots operating in the market. Therefore, there is an illusion that the rouble is determined by oil prices. To think so is the same as to assume that the speedometer determines the speed of a car, and not the engine. Monetary authorities perceive market manipulation as the action of fundamental market forces, which indicates their incompetence or engagement.

In 2014, the destabilization of the Russian monetary and financial system was the result of a well-planned operation where the adversary used the Central Bank and MOEX as financial instruments for speculative attack to hurt the recovery mechanisms of the Russian economy. To do so, they changed the monetary policy target parameters in advance: contrary to the Constitution, they excluded the Central Bank's obligation to ensure the stability of the national currency and instilled the Russian Government with a false concept of "inflation targeting"[1].

The collapse of the rouble exchange rate in March 2020 was organized after the same pattern. International speculators who attack against the rouble have the full picture of the situation in the Russian currency and financial market, receiving the perfect information from the MOEX staff, knowing the Central Bank's algorithms, controlling depository and clearing centers and tracking online the flow of funds and securities on stock exchanges trading in Russian assets. The inactivity of the monetary authorities, who publicly renounced responsibility for the stability of the rouble, provides speculators with risk-free manipulation of the Russian currency and financial market.

We should remind that in 2014, the speculative attack resulted in colossal damage to the Russian economy: a $400 billion decrease in stock market capitalization; depreciation of savings; a trillion roubles loss by the banking sector; two-fold depreciation of the national currency and rising inflation; termination of lending to the manufacturing sector; drawing the economy into a stagflation trap [4]. The destruc-

[1] The main directions of the unified state monetary policy for 2009 and the period of 2010 and 2011.

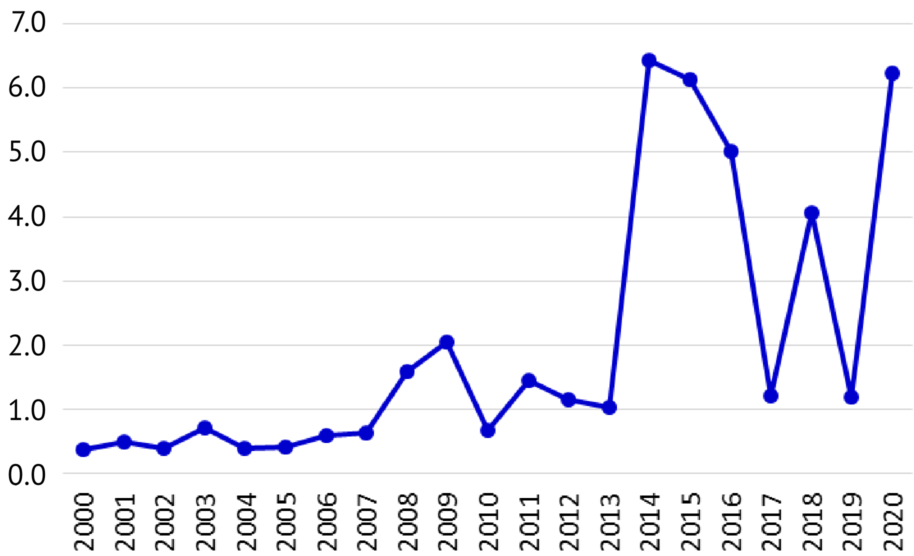

Fig. 7. **The volatility of the Russian rouble in the period 2000–2020**

Source: ECE calculations.

Note: Y-axis standard deviation.

tive impact of the current monetary and financial crisis on the Russian economy has yet to be assessed. Currently, the stock market has fallen by $300 billion, the wave of inflation is seizing the consumer market, foreign trade is shrinking, and investments are declining.

It is evident that the Bank of Russia's inflation targeting policy is doomed to failure. Even if it manages to decrease inflation by reducing final demand, the stabilization period does not last long. Overstatement of interest rates and the unpredictability of the rouble exchange rate block investment and innovation activity. This entails an increasing technological lag and a competitive depreciation of the Russian economy, which inevitably, after a short period of time, leads to the devaluation of the rouble and a new inflationary wave. This period for the Russian economy lasts for about five years, which corresponds to the average duration of the scientific and production cycle.

If the Central Bank tries to stop the inflationary wave, which starts due to the devaluation of the rouble, by another increase in the key rate and a decrease in the money supply, then, we will obviously expect a repetition of the spasms of investment and business activity of 2014–2015 and 2008–2009. In a few years, this will lead to an even greater technological lag in our economy, its competitive depreciation and the next devaluation of the rouble (*Fig. 7*), followed by an inflationary wave. It is necessary to break this vicious circle of self-destruction of the Russian economy and finally place it in a trajectory of rapid development in the new technological mode by the proactive formation of institutions of a new world economic structure.

If the Central Bank introduced exchange controls to protect our financial system from external attacks after the United States had announced sanctions, the current collapse of the currency and financial market could have been prevented. However, dominant among the monetary authorities, the economic interests of speculators prevented this. Several major participants using insider information support the turbulence of the currency and financial market by manipulations. The Central Bank's inactivity guarantees them risk-free transactions to artificially devalue the rouble in order to extract speculative super-profits. This is done through chains of pre-planned foreign exchange trading transactions with a sequential decrease in the rouble exchange rate to a certain level. When the manipulators reach this level, they hold it until the accumulated currency is sold. Then, they invest the gained super-profits in the purchase of assets that have fallen in price many-fold, and the rouble exchange rate rises to an equilibrium level. A few years later, they repeat these actions to fall the Russian national currency, using artificially inflated reasons: lowering oil prices, exacerbating international conflicts, announcing new sanctions, epidemics, etc. On each cycle, they extract hundreds of percent of profit from the impairment and subsequent purchase of Russian assets, whose significant part is redistributed in favor of foreign capital.

Swung in this way, the financial market loses touch with the real sector, its prices do not show the real value of assets, and it ceases to be a guide for bona fide investors. It is not the supply and demand of business entities, but the actions of automated algorithms performed by financial robots that determine the price and exchange rate in the modern currency and financial market. Well-integrated in the financial market regulation system, a group of major players manipulates it and extracts gigantic super-profits from the cyclical depreciation of the rouble. They use the bankruptcies arising from swinging the market to embezzle assets, including with the use of reorganization procedures and Central Bank credit support instruments.

As in 2008–2009, the Russian financial market is showing the deepest decline among the G20. The monetary authorities do not take the necessary measures to stabilize it and exacerbate the country's economic losses by ridiculous actions.

With every opportunity to keep the rouble exchange rate stable due to the volume of foreign exchange reserves exceeding the number of roubles in the financial market, the Bank of Russia let it collapse, and only then, it declared its readiness to conduct foreign exchange interventions. However, without declaring a clear goal to prevent the rouble from falling below a certain level, these interventions only help speculators plan an attack by revealing their plans and supplying them with currency.

Against the backdrop of the financial market collapse, a strange stock sale of Sberbank by the Central Bank to the government looks completely surreal. According to the Law on the Central Bank, all its property is federal property. Therefore, the state can operate it at its own discretion. In this case, it can adopt a normative act obliging the Bank of Russia to transfer the stocks to the Federal Agency for State Property Management free of charge, since it is nothing more than their nominal holder.

The ultimate sense of this deal is, on the one hand, to sterilize (liquidate) at least a quarter of 2.8 trillion roubles accumulated in the National Wealth Fund so to cover the losses of the Bank of Russia from its insane activity in raising funds from the financial market for deposits and bonds.

On the other hand, speculators able to manipulate the stocks of Sberbank may become hugely wealthy by buying them after depreciation and selling them at a higher price after the transaction is complete. We assume a secret privatization plan for these stocks, which are not registered in the balance sheet of the Federal Agency for State Property Management, but remain "on the balance sheet of the National Wealth Fund" (the latter is not a legal entity and does not have a balance, that is, stocks stay in the custody accounts of the Ministry of Finance).

Questionable transactions to manipulate the currency market and feigned transactions at the state expense exacerbate the already difficult situation of the state financial system after the collapse of oil prices. Declared in the media, the reasons for the collapse of Russia and OPEC oil cartel in order to bring American shale oil producers to bankruptcy amaze with insanity of this idea. After all, oil prices were maintained at a level many times higher than the equilibrium of real demand and supply due to financial speculators and this cartel agreement. After it collapsed, slumping oil prices may drag on for a long time.

Oil price fluctuations are subject to long-term patterns of change in technological modes. When the dominant technological structure reaches maturity, the economic growth rate falls along with the profits of leading corporations. To preserve the profits, monopolists raise prices. Best of all are corporations in the fuel and energy sector, which is characterized by maximum capital intensity and minimum price elasticity of demand. After the economic restructuring provoked by a spike in energy sources and based on a new technological mode is complete, and its energy intensity is many-fold reduced, energy demand will inevitably decrease, and prices will fall [5].

In the next decade, hydrocarbon prices will remain relatively low. This means a significant deterioration in the trade and balance of payments of Russia. It may be mitigated by measures aimed at to ceasing the outflow of capital and outstripping the development of non-resource exports, which, however, cannot be ensured within the framework of the current monetary policy, since it requires large-scale long-term lending to quite capital-intensive investments in the development of petrochemicals and other high-tech industries.

If the monetary policy is not changed fundamentally, one will have to survive the further devaluation of the rouble and the following inflationary wave. Against the backdrop of the state budget contraction, this will cause a noticeable drop in incomes. It will be greatly exacerbated by the continuous fight against inflation by reducing money supply and final demand. This, in turn, will cause mounting discontent among the population and promote socio-political tension. By 2024, it will reach a peak and significantly weaken the ability of state power to withstand American aggression.

By this time, China will become stronger, present a growing demand for Russian resources and invest in the Russian economic restructuring to suit its needs. Thus, the Russian economy will be on the periphery of both the old and new world economic structures. It will finally lose the ability to develop independently, and its economic space will become a rivalry between Western and Eastern corporations. This will create additional political tension, fraught with the loss of national sovereignty.

To avoid this double dependency trap, an immediate, fundamental change in economic policy is necessary. It should ensure the restoration of macroeconomic stability simultaneously with the withdrawal of the Russian economy on the trajectory of outstripping growth based on a new technological structure. This requires a forced transition to the formation of a new world economic structure with its typical strategic planning institutions, monetary policy subordinate

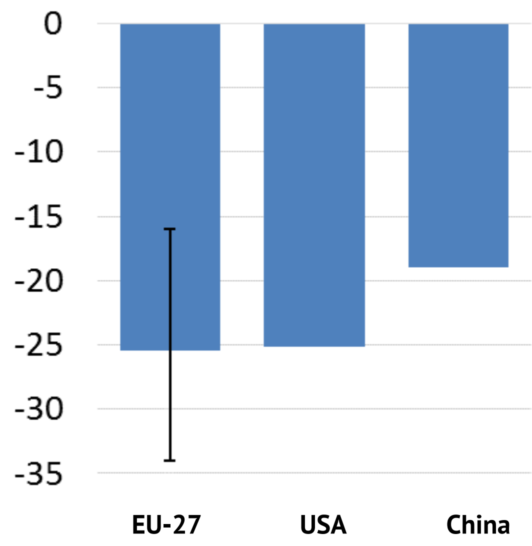

Fig. 8. **Economic activity affected by a partial or complete shutdown of production, % GDP**

Source: OECD.

to the tasks of increasing investment activity and public-private partnerships aimed at improving public welfare.

The forecasts for the development of the Russian economy, as well as the global one, are quite alarming. Almost 50% of the world's population (about 3.9 billion people) were affected by the quarantine and self-isolation. Maintaining strict measures of social distance costs 2% of GDP per month. In 2020, the global recession may reach 2%, and in the worst-case scenario — 4–6%. The decline of production in the most vulnerable sectors of the economy may be 40% to 90% (*Fig. 8*).

Anti-crisis measures will exacerbate the tense state budget due to fall in oil prices. They reduce its revenues and increase expenditures. This inevitably leads to a deficit, which the National Wealth Fund may not be sufficient to redeem. If the government borrows finance in the market, it will then reduce the scarce liquidity and narrow down the possibilities to maintain business activity. This is only the most obvious problem, which has no solution within the framework of the macroeconomic policy. If it goes on, it will put the Russian economy in a deeper crisis.

Based on the laws of the change of technological and world economic structures, we can assume that the world hybrid war is entering its

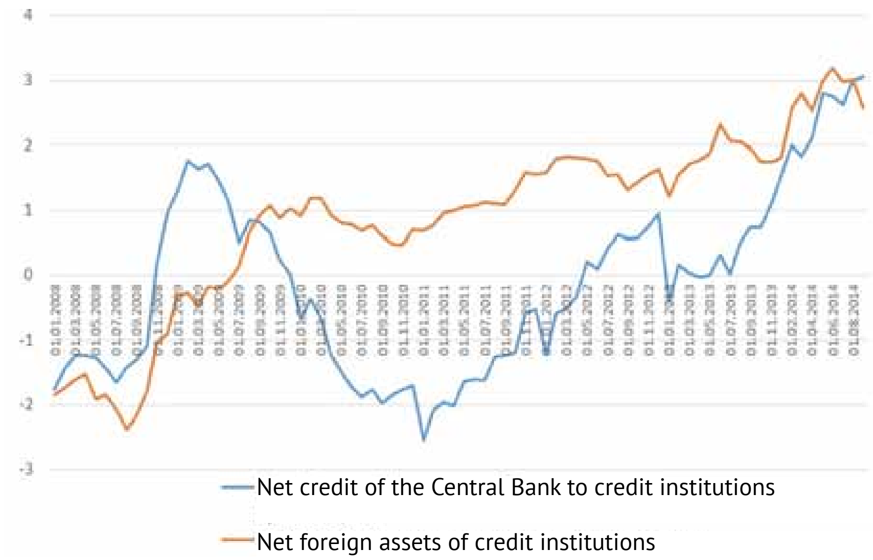

Fig. 9. **Dynamics of net foreign assets and net debt of credit institutions to the Central Bank of Russia (trillion roubles)**

Source: Bank of Russia.

final phase. The peak of confrontation between the leading powers is expected by 2024 [6]. By this time, it is necessary to rebuild the economic development management system according to the principles of the integrated world economy and break out of the hopeless state of the financial and commodity periphery of the American capital accumulation cycle.

ANTI-CRISIS MEASURES

Amid the spasm of business activity caused by the financial market collapse and asset impairment, the monetary authorities of all developed countries sharply expand lending to the economy to mitigate production cuts and prevent an avalanche of bankruptcy of enterprises. However, the effectiveness of these measures varies greatly depending on the national system of currency regulation and the monetary policy. In the issuing countries of world reserve currencies, cash injections are held by the financial and banking system, which increases the stability of their economies, but does not always overcome the reduction in production and investment. In other countries, issue of money, if not channeled for the needs of the manufacturing sector, may flow into the currency market, increasing pressure on the national currency and exacerbating macroeconomic instability. This is exactly what happened in Russia in 2008–2009 and in 2014–2015, when measures of state support for the banking system fueled the flame of the crisis. Then banks, including state-owned ones, used the obtained credit resources to purchase foreign currency, intensified the devaluation of the rouble and played against the interests of the country (*Fig. 9*).

Today the situation may recur. On March 27, 2020, the Bank of Russia increased the maximum aggregate limit on irrevocable lines of credit (ILOC) from 1.5 to 5 trillion roubles[2]. This additional liquidity exceeds the entire federal budget allocated to support the economy. Before injecting it uncontrollably, one should stop liquidity-absorbing operations, redeem their bonds and close deposits (this will provide another 3 trillion roubles from the reduction of the "structural liquidity surplus" caused by the overstatement of the Central Bank key rate).

Based on the previous experience of the Bank of Russia's large-scale provision of liquidity during the financial crises (1998, 2008 and 2014), this credit expansion may result in the loss of almost 10% of gold and foreign exchange reserves and a further fall in the rouble, attributed to the forecasted fall in oil prices. To prevent this, it is necessary to protect the financial market from

[2] Bank of Russia. URL: https://cbr.ru/press/pr/?file=27032020_152031dkp2020–03–27T15_20_11.htm

attacks by currency speculators. This implies the introduction of selective restrictions on capital movement across the borders. As such, both direct (licensing, reservation, fixing the currency position of commercial banks) and indirect (tax on capital export) regulation may be used. Residents should stop using foreign currency as a means of accumulation, as well as the Central Bank should stop financing currency speculation. To do so, along with introducing electoral restrictions on cross-border speculative transactions, it is advisable to strengthen measures to deoffshorize the economy, de-dollarize it, stop capital outflow and stabilize the rouble exchange rate.

Serious efforts must be applied to regulate the financial market and protect it from fraudulent manipulations. Objective investigations of signs of market manipulation must be conducted and criminals must be punished. It is necessary to restore state control over the MOEX and the financial market as a whole, to increase essentially the competence and effectiveness of the Bank of Russia as a mega-regulator.

Based on international and domestic experience, the first thing to do is to block the channels for exporting capital and financing speculative attacks against the rouble. That is what V. Gerashchenko did after the 1998 default by introducing the rule of fixing the bank's open foreign exchange position (open FX position) for each operational day, preventing banks from using ILOC funds to buy foreign currency. Besides, restrictions on speculative operations to purchase foreign currency should be introduced on time (reservation of funds, postponement of transactions, total control over the legality of origin and payment of taxes, etc.). As for foreign speculators dominating in the currency market, temporary bans on exchange operations should be introduced. It is also advisable to establish minimum terms to offshore and put in foreign currency of financial resources released after the sale of government bonds and other rouble obligations of Russian issuers.

It is necessary to put into effect "sleeping" standards that carry punishment for manipulating the market. It is necessary to conduct a thorough investigation of all episodes of the collapse and a sharp rise in the rouble exchange rate to identify mechanisms and facts of market manipulation. Measures must be taken to punish criminals who organized the collapse of the rouble in 2014 and now.

For the long-term stabilization of the rouble and the financial market, the following measures should be taken.

1. To block the channels of capital outflow. To provide free currency conversion only for current transactions. To pay for imports in foreign currency may only be possible upon the delivery of goods to Russia or the provision of services. To limit the capital export only to transactions necessary for expanded reproduction of the real sector of the economy and direct investments that contribute to the socio-economic development of Russia. To this end, to introduce licensing of cross-border capital transactions.

2. To eliminate preferential tax of profits from financial transactions, as well as introduce a tax on currency speculation (the so-called "Tobin tax") in the amount of 0.01% of the transaction. This tax will be soft for financial transactions for productive purposes, and will make the activities of financial speculators almost unprofitable. This will protect the financial market from manipulation and speculative attacks).

3. To restore the full sale of currency earnings, as well as stimulate exporters to sell currency by using a wide range of measures (tax leverage, reserves, balance sheet ratios) that create more favorable conditions for storing and conducting transactions in roubles compared with transactions in foreign currency.

4. To temporarily prohibit security purchase from the US issuers and the US dependent states, as well as place government investments in these instruments. This step will reduce the risks of Russian participants in terms of freezing or seizing their funds invested in foreign government securities [7][3].

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[3] The former Governor of the Bank of England, M. King, recently spoke about the possibility of the United States to annul foreign assets if the situation becomes tenser: "In the event of serious aggravation of relations, foreign assets may be annulled." The United States and its NATO allies have just confiscated the currency assets of Venezuela and directed them to finance a coup in this country. In recent years, funds placed in the United States by a number of countries in the Arab East

5. The Ministry of Finance of Russia to stop purchasing currency and to cancel the "fiscal rule". To direct oil and gas budget revenues to financing anti-crisis measures, including the purchase of critically needed imported goods, primarily medical supplies.

6. To terminate the deposit insurance system regarding deposits in foreign currency. To offer citizens to exchange these deposits for the rouble ones on an arm's length basis, and for commercial banks to sell disposable foreign currency to the Bank of Russia at the current rate.

Considering the hybrid war, borrowers should be allowed to apply force majeure in relation to credits provided by entities of countries that have established and are introducing financial sanctions against Russia. To introduce a moratorium on the fulfillment of the obligations of sanctioned companies to creditors and investors from the respective countries, as well as an arrest on their shares and stocks. If the currency assets of the Ministry of Finance and the Bank of Russia, state banks and corporations are seized, and Russian enterprises are threatened by total application of sanctions — to introduce a moratorium on the repayment and servicing of credits and investments from the states applying sanctions against Russia, as well as to seize their assets. To prohibit subsidiaries of banks from the countries applying sanctions to attract new funds from Russian investors while the sanctions are being applied.

As part of measures to restore national sovereignty in the monetary sphere, currency exchange rates should be quoted in relation to the rouble, and not to the dollar or the euro, as it is now. Quotations should be carried out in relation to the currencies of the countries — the main trading partners of Russia, excluding the dollar from the currency basket.

The measures to protect the Russian financial market from external threats of destabilization should include: ensuring transparency and regulating off-balance sheet operations of banks and companies, eliminating dependence on American rating agencies to assess the reliability of certain borrowers; creating a public system for disclosing information about the market (issuers and professional participants), owned by the state and free for users.

The above measures would ensure a slump in currency speculation, the subordination of the currency market to servicing cross-border transactions of the real sector and will create the necessary conditions for long-term stabilization of the rouble exchange rate. After they are adopted, the Bank of Russia should clearly indicate the target parameters of the rouble exchange rate, introduce a "rule of exchange rate policy" — to keep the rouble exchange rate at a given level for a long time by conducting timely interventions and measures to eliminate speculative attacks. If there is a threat of breaking the set limits, to make an unexpected for speculators, one-time change of the exchange rate and to hold it in the same way. This will help avoid an avalanche-like "capital outflow" and currency speculation against the rouble when its exchange rate is adjusted due to a change in the fundamental conditions of exchange rate formation [8].

The rouble exchange rate stabilization is necessary to normalize the investment climate, to expand the possibilities for international cooperation, national security and to provide the rouble with the functions of a regional reserve currency in the EAEU and the adjacent part of Eurasia. The Chinese experience can be used as an example of an effective system of currency and financial control to ensure faster economic growth.

Along with the above measures for stabilizing the financial market to avoid an unjustified price increase by domestic goods of the EAEU member states, price indexation at the exchange rate of the national currency should be recognized as unfair trading practice subject to antitrust regulation.

After all the above measures to eliminate the risks of using money issued to overcome the crisis for speculative purposes, it is possible **to build up money supply** as a necessary condition for maintaining domestic demand, raising investment and innovation activity. Unlike issuers of world currencies, the crisis in Russia was

have been freezed. Let us recall about blocking funds of the US allies placed in American banks during the Second World War and other similar cases. (Gold Investor. June, 2016. King M. Misguided policies and economic risk. P. 14–17).

caused not by an excess of money supply and the related financial bubbles, but by permanent under-monetization of the economy, which had been working flat out for a long time due to an acute shortage of credits and investments. The Russian economy needs a substantial expansion of the money supply to restore the domestic market, increase innovation and investment activity in order to modernize and accelerate development. At least 12 trillion roubles that the Bank of Russia has withdrawn from circulation during the last 5 years should be returned to the economy, as well as its operations to absorb money by issuing bonds and accepting money for deposits should be immediately stopped.

It is necessary, to increase the public expenditures on health and education at least one and a half times, since they are the supporting sectors of the new technological structure, as well as to double the R&D funds.

Purpose-oriented credit instruments for manufacturing enterprises should be widely used to prevent spasms in business and investment activity. The Bank of Russia should deploy special refinancing facilities for commercial banks at 1–2% per annum for critical sectors in the crisis (medicine, education, agriculture, etc.), totaling up to 3 trillion roubles against the obligations of enterprises and banks for the purpose-oriented use of funds (for example, through escrow accounts); as well as for investment lending, including in the framework of national projects, by special investment contracts. This type of financing will not create an inflationary effect. The widespread use of special investment contracts will reduce unreasonable costs for banking services by up to 10% and ensure sustainable and full-scale financing of investment projects significant for the Russian regions.

It is also necessary to create a mechanism for special-purpose refinancing of development institutions and expand many-fold their capabilities of investment lending, including the replacement of "dried up" foreign sources of credit.

To reduce the dependence of the Russian economy on the sanctions of the United States and its allies, to ensure its stability in the hybrid war, the following urgent measures should be taken ***to de-dollarize the economy***.

1. To sell all debts of the USA, Canada, and Great Britain from the foreign exchange reserves, as well as securities nominated in the currencies of these countries acquiring an equivalent amount of SCO and BRICS assets and of gold. To increase the share of gold in reserves from 20% to 55% (as in the EU countries).

2. In foreign currency reserves at the expense of purpose-oriented credit issue, to buy foreign currency assets of state-controlled banks and corporations from the Bank of Russia (more than $50 billion) at the rate before the speculative attack due to the drop in oil prices.

3. To stop crediting of non-financial organizations in foreign currency by Russian banks. To prohibit by law loans to non-financial organizations nominated and provided in foreign currency.

4. To eliminate the use of the dollar in foreign trade and investment transactions of state corporations and banks and to recommend that private enterprises do the same. To gradually switch to paying for the main export goods in roubles. This will eliminate the risk of confiscation of the currency earnings of Russian exporters, remove its repatriation, and create conditions for reducing capital outflows. At the same time, it is necessary to provide for the allocation of tied rouble credits to the importing states of Russian products to maintain goods turnover, and to use credit and currency swaps. The Bank of Russia should provide commercial banks with special-purpose concessionary refinancing for rouble crediting of export-import operations at affordable rates on a long-term basis. It should also consider the extra demand for roubles in the main directions of the monetary policy due to the expansion of foreign trade in domestic currency and the formation of foreign rouble reserves of foreign states and banks.

5. To expand essentially the service of settlements in national currencies between enterprises of the EAEU and the CIS countries through the EDB and the Interstate Bank of the CIS, and with other states — by using Russian-controlled international financial organizations (IBEC, IIB, EDB, etc.).

6. To limit credits of state-controlled corporations in countries that apply sanctions. To replace gradually foreign currency credits from these countries with rouble credits from state-owned commercial banks due to their special-purpose refinancing by the Central Bank on the same conditions.

7. To withdraw the securities of Russian issuers from the depositories of NATO countries. The Bank of Russia will cease accepting securities held in foreign depositories as collateral for refinancing.

Along with the above urgent measures to prevent damage from sanctions for the state and Russia as a whole, it is necessary to take measures to minimize the loss of private Russian capital, "stuck" in offshore with predominantly Anglo-Saxon jurisdiction. ***To deoffshorize the economy***, the following conditions are required.

1. To introduce preliminary currency controls on transactions with companies from NATO countries and offshore zones. To introduce licensing of capital transactions with dollars, euros and currencies of countries that have joined the anti-Russian sanctions.

2. To clarify the legislative definition of the term "national company" that meets the requirements of registration, tax residency and main activities in Russia, membership of Russian residents not affiliated with foreign individuals and jurisdictions. Only national companies should be provided with the access to mineral resources and other natural resources, state orders, state programs, state subsidies, credits, concessions, property and real estate management, housing and infrastructure construction, transactions with the savings of the population, as well as to other activities strategically important for the state and sensitive to society.

3. Ultimate owners of stocks of Russian systemic enterprises must leave the offshore and register their ownership rights in Russian registrars.

4. To sign agreements on the exchange of tax information with offshore companies, denounce the existing agreements on the avoidance of double taxation. To prohibit by law transferring assets to offshore jurisdictions, with which there is no agreement on the exchange of tax information, as well as to the controlled by the United States and other countries that apply sanctions.

5. To introduce requirements for offshore companies owned by Russian residents to comply with Russian legislation on the provision of information about company members (shareholders, investors, beneficiaries), as well as tax information disclosure for tax purposes in Russia of all income received from Russian sources under the threat of 30% tax to be applied to any operations.

6. To establish licensing for offshore operations for Russian publicly owned companies.

7. To impose restrictions on the volumes of off-balance sheet foreign assets and liabilities to non-residents on derivatives of Russian organizations, to prohibit investments by Russian enterprises in securities and currency instruments of countries that apply sanctions.

8. To establish the Moscow Club of creditors and investors to coordinate the credit and investment policy of Russian banks and funds abroad, procedures for the repayment of bad credits, and to develop a unified position in relation to the default borrowing countries.

It is necessary to create ***a payment system*** in the national currencies of the EAEU member states based on the EDB and the Interstate Bank of the CIS with its own system for exchanging banking information, assessing credit risks, and quoting currency exchange rates as soon as possible. To make commercial banks use the Financial Messaging System of the Bank of Russia, to propose it for international settlements in the EAEU, SCO and BRICS, which will eliminate dramatic dependence on the US-controlled SWIFT system.

First of all, this must be done in mutual trade with China, which bears the main burden of replacing imports from countries implementing anti-Russian sanctions. Russian banks will also connect to the People's Bank of China's International Settlement System and exchange information with Chinese partners, make payments and settlements. A special channel of confidential communication between large Russian and Chinese banks may be established for the same purposes. MIR National Payment Card System should provide co-badged cards with the Chinese UnionPay system, which also requires intensifying efforts by Sberbank and other Russian banks issuing the MIR card. It is advisable to create a network of specialized credit and financial organizations working exclusively in roubles and yuans, invulnerable from external sanctions. To launch the Vladeks trading and payment system that uses a special digital instrument with a fixed exchange rate for the dollar equivalent. This system may take care of the mutual trade of sanction-sensitive goods.

These measures could be applied in relations with our other traditional partners. To do so, it will be necessary to create appropriate clearing systems for settlements in national currencies and agree on currency-credit swaps between central banks. The need to form this system in the EAEU is obvious, which will require a corresponding expansion of the ECE functionality.

To stimulate the processes of Eurasian economic integration, joint surviving and the following surmounting the crisis regimes caused by the global pandemic and negative processes in the single EAEU markets, urgent measures are necessary, including the following[4].

1. To ensure price stability in the mutual trade of domestic goods of the EAEU member states, it is recommended that central (national) banks take urgent measures to stabilize the exchange rates of national currencies. To create the necessary conditions for switching to national currencies in mutual trade and financing joint investments, it is necessary to sign agreements within the EAEU on the limits of mutual fluctuations of national currencies (a "currency snake" as existed in the EU before the euro) and on a mechanism for damping fluctuations (through swaps and EFSD mechanism, whose size must be increased to 1.5–2 trillion roubles). To ensure long-term stability and financial sustainability, the EAEU states could create a payment union using the Interstate Bank of the CIS, specially created to service it.

2. To reduce costs in mutual trade, it is advisable to abolish currency control over current cross-border transactions in roubles. This measure should be preceded by a certain harmonization of national systems of currency regulation in order to avoid capital outflow.

3. To avoid the negative impact of world prices on mutual trade, governments should take measures to transfer payments for fuel and energy products (natural gas, oil and oil products) into the national currencies of the EAEU member states within the formation of a common energy market[5]. It is necessary to stabilize the rouble exchange rate, as well as to deploy a full-fledged exchange trading mechanism with rouble pricing indicators. To reduce external shocks in oil price fluctuations, it is advisable to switch to long-term agreements for the export of oil and gas to China at prices in yuans and roubles.

Due to the growing chaos and turbulence in world markets, it is necessary to provide for **an economic security system**. Along with the currency control instruments described above, it should have protective circuits of financial, distribution and property systems [9].

The protective circuit of the financial system should insure payments and credits to the real sector in the event of an emergency in the banking system. The Central Bank should be ready to "pick up" the settlement system through settlement centers and state banks in the event of a chain reaction of bankruptcies of commercial banks. Support programs for systemic companies, regions and industries in the event of a possible paralysis of the banking system should

[4] Some of these measures were approved on April 8, 2020 by Order of the ECE Council "On measures taken within the framework of the Eurasian Economic Union aimed at ensuring economic stability in the context of the development of the COVID-19 coronavirus infection pandemic".

[5] In his Annual Address to the Federal Assembly on May 10, 2006, V.V. Putin proposed organizing exchange trading in oil and gas with settlements in roubles. "The rouble must become a more universal means for carrying out international settlements and should gradually expand its zone of influence," the President of the Russian Federation said in his Address. After this Message, he kept on giving directions on converting energy trade into national currency, including in the context of harmonization of monetary and financial relations with partners in the EAEU.

be carried out through the Treasury, which can also take over the functions of servicing state enterprises.

To protect strategic assets in the economy and ensure the production of livelihoods (food, energy, transport, etc.), the state should be ready to nationalize the relevant systemic enterprises and infrastructure nodes (power plants, elevators, ports, warehouses) or to put them under tight antimonopoly control. Systemic companies should receive financial assistance only for relevant business plans and the transfer of blocks of stocks (assets) to the state as a security for their obligations to produce products and return funds. In this case, the purchase of strategic assets by foreign capital (or converting debts into property) should not be allowed, except when joint ventures are created or assets are pooled on a par in order to increase competitiveness and technical level.

Human capital reproduction systems should be secured by protecting the relevant budget, regardless of budget revenues. It is also necessary to create strategic reserves of basic commodities, food and medicines in order to maintain the production and import of critically important goods in sufficient quantities to stabilize prices.

FISCAL POLICY

Fiscal policy orientation towards development requires a reduction in the tax burden on all types of innovative and high-tech activities.

In tax area, one should proceed from the structure of creation of national income, whose main source now is resource rent. To skim it, the state as the owner of the subsoil usually applies a windfall profits tax to subsoil users, which in Russia is replaced by a severance tax. However, according to the laws of market pricing, the latter is included in the price of products and is actually a tax on the consumption of energy and natural resources, worsening the competitiveness of the manufacturing industry. In domestic conditions, export duties that do not burden domestic consumption are the best way to extract resource rent to state revenue.

Another fundamental drawback of the tax system is the universal taxation of citizens' incomes at a rate twice as low as the corporate income tax. This violates the principle of social justice, basic for public consciousness, and stimulates the flow of income from production to consumption. A tax maneuver is needed to introduce a progressive income tax rate, offset by the introduction of accelerated depreciation, which reduces the taxation of profits allocated for the purchase of equipment. This will increase investment by 5 trillion roubles while restoring public support for the state fiscal policy.

The current technological revolution requires tax exemption for all R&D expenses. Many countries pay tax bonuses to enterprises implementing innovative projects in promising areas of new technological growth. Based on its structure and the experience of the advanced countries, it is necessary, to increase the public expenditures on health and education at least one and a half times, since they are the supporting sectors of the new technological structure, as well as to double the R&D funds. Thereby, increased funding should be focused on promising areas of developing a new technological structure where Russian organizations have competitive advantages. In particular, it is necessary to increase substantially the funding of scientific developments in molecular biology, genetic engineering and cellular technologies, manufacture of nanotechnological equipment, digital, laser and additive technologies, solar energy, nanopowders and new materials. An obvious direction for budget expenditures with high economic efficiency is the modernization of transport, telecommunications, energy, housing and communal infrastructure based on the new technological structure. Many expenditures critically significant for developing a new technological structure, including the financing of basic and exploratory research, can only be implemented with budget support.

An important component of fiscal policy should be the orientation of public procurement to the acquisition of high-tech products, mainly domestic production.

During the implementation of the anti-crisis policy, the budget deficit should not be strictly limited by financing it from internal sources and covering growing government borrowing by equivalent money issue for refinancing commercial banks secured by state obligations. Moreover, the profitability of the latter should not exceed the average rate of profit in the manufacturing industry. All developed countries issuing world currencies operate in such a way.

For example, the main channel of money issue by the US Federal Reserve (up to 95%) and the Bank of Japan (about 85%) is the purchase of government debt on the domestic market. The European Central Bank issues trillions of euros for the purchase of state obligations of the Euro area countries, and even bonds of systemic corporations for anti-crisis purposes. At the same time, central banks carry out concessionary refinancing of government agent banks for state-guaranteed investment projects, mortgages, and national and regional programs. Moreover, they issue money under state obligations for long periods up to 30–40 years, when the securities purchased by the Central Bank are kept on its balance sheet, and the money issued for them works in the economy.

Currently Russian federal loan bonds play a minor role in the formation of the rouble financial system (less than 5% of the accumulated rouble issue of the Bank of Russia). Along with the expanding volume of debt obligations of the Russian government in euros, this indicates Russia's excessive dependence on the world market and external sources financial resources, on the one hand, and shows great opportunities for expanding the Russian financial system on a national basis. To expand the government borrowing market, it is also necessary to stop using the Bank of Russia bonds and deposits and to return the invested funds to their owners.

Monetary policy instruments should provide adequate money supply for expanded reproduction and faster development of the economy in promising areas of the formation of a new technological structure. Roubini and Mihm [10] proposed simple Keynesian methods for stimulating demand by massive infusion of financial resources to deal with the current crisis. Although they will help mitigate the recession, they will not be able to provide the recovery [11]. This requires a kick-start to scientific, technical and innovation policy. In these conditions, the government should target and channelize the money issue in priority areas of economic activity growth.

It is necessary to create an issuing mechanism for refinancing commercial banks by the Bank of Russia to increase their credit requirements for enterprises in the real sector as the financial needs of a developing economy grow. Both domestic and world experience allow for building the optimal mechanisms of money supply, fixed on financing the real sector of the economy and priority directions of its development. Thus, the access conditions of commercial banks to refinancing by the Central Bank should be linked to obligations for the targeted use of credit resources received from the state to finance manufacturing enterprises and priority areas of economic activity. This can be done by combining indirect (refinancing secured by bonds and bills of solvent enterprises) and direct (co-financing of state programs, providing state guarantees, financing special investment contracts) ways of money supply. Through the Lombard list of the Central Bank and the limits of state guarantees, the state will be able to affect cash flows on a case-by-case basis and to provide expanded reproduction of systemic enterprises, favorable conditions for the growth of economic activity and attracting investments in priority areas of development. At the same time, the refinancing rate should not exceed the average rate of profit in the manufacturing industry (in compliance with international practice, it should range within 1–4% in a structural crisis [12]). The loan terms should correspond to the typical duration of the scientific and production cycle of engineering products (5–7 years).

Along with lowering the refinancing rate, normalizing the price of money requires a proactive policy on limiting the profitability of the government debt market, controlled by the Bank of Russia and large publicly owned banks, applying low-interest purpose-oriented credits for state purposes (for mortgages, small businesses, educational loans), and temporary administrative regulation of rates interest and bank margin. It is advisable to significantly increase the resource potential of the existing and create new development institutions that provide long-term investment credits at quasi-zero interest.

Amid the global crisis, developing the financial sector of Russia is only possible through the outstripping growth of domestic solvent demand in comparison with the external one. In this regard, the restructuring of the financial sector should focus not on the stock market, but on the growth of the banking system, combined with the restriction of financial speculation and the stimulation of long-term investments, development institutions and venture financing [13]. At the same time, government support for commercial banks should be limited to providing only purpose-oriented credits in compliance with the following principles: equal access; limited time and scale of support; participation of banks in anti-crisis measures; inadmissibility of benefits from state support by shareholders. In exceptional cases, state support for the banking sector's equity could be achieved through the acquisition by the Bank of Russia of preferred stocks of commercial banks [14].

The concentration of money issue on refinancing commercial banks against the obligations of manufacturing enterprises creates competition among banks struggling for customers of manufacturing enterprises for the access to refinancing by the Central Bank. As a result, the credit market from the seller's market, monopolized by large commercial banks, will turn into the buyer's market, where the competition will lead to lower interest rates. For this, it will be necessary to completely stop the Bank of Russia operations to absorb the so-called excess liquidity, since by issuing its bonds and opening deposit accounts, it artificially sets the minimum interest rate on the credit market.

The historical experience of a successful development policy indicates that a certain increase in GDP requires a two-fold increase in investment, and therefore, a corresponding increase in the volume of credit as the main tool of advance growth of the modern economy. Along with the dogmatism of the monetary authorities, launching this mechanism in Russia is objectively hindered by the lack of effective currency control. As a result, commercial banks used the credits issued under anti-crisis programs to buy foreign currency, and not to finance to the real sector of the economy. The strategy described above should be implemented using the appropriate instruments. This requires the widespread adoption of digital technology. First of all, this should be done in the sphere of money circulation.

To control the targeted use of money issued for investment lending, it is proposed to use modern technologies for creating digital currencies and controlling their circulation through a distributed ledger system (blockchain). Organizing purpose-oriented credits requires creating a Specialized Development Institute, funded by the Bank of Russia in an amount of at least the money withdrawn from the economy. So, about 15 trillion roubles are needed to compensate for the credit contraction since 2014, of which 5 trillion roubles can be allocated at the initial stage. Modeled after the German KfW[6], the Specialized Development Institute will be able to issue an equivalent amount of "investment roubles" secured by digital technology for this amount of money without inflationary consequences. Purpose-oriented credits in investment roubles are granted exclusively under special investment contracts at 1% (for state corporations) and 2% (for all others) per annum for the final borrower. At the same time, there will be no expenses on bank guarantees and no credit ratings, which allows keeping the interest rate for the final borrower at no more than 3%. The further flow of money issued in this way will be automatically controlled by the distributed ledger system — until salaries are paid, dividends are received and credits are reimbursed.

Besides an adequate monetary policy, the anti-crisis strategy should include a proactive **industrial policy** that stimulates growth zones in the general depressed environment.

A significant increase in the money supply envisaged by the anti-crisis strategy requires a radical increase in the effectiveness of **antimonopoly policy** to suppress inflation. A system policy of **price regulation** should be conducted

[6] The German State Development Bank (KfW) was founded in 1948 to restore the monetary factor of economic growth in post-war Germany. Due to the purpose-oriented credit issue, this development institution provided investment lending for economic development, including infrastructure modernization, updating of fixed assets, and housing construction. 80% of the bank is owned by the Federal Republic of Germany.

along with the intensified application of the standard measures to prevent price fixing. The concept of normal profitability should be enacted. It should include the costs of innovation, improving the quality and lowering costs of products, as well as provide for progressive taxation of excess profits [17].

To equalize the profitability of different sectors of the economy, it is necessary to carry out a restrictive pricing policy for natural monopolies, up to freezing tariffs for their services for the period of the anti-crisis strategy, and to introduce measures to reduce the interest rate as part of production costs. A federal law establishing the forms, limits and procedures of price regulation is required.

Maintaining price proportions favorable for modernization and economic development requires restoring export tariffs on raw materials and increasing import tariffs on finished products, as well as measures to protect the domestic market from outside unfair competition. The profitability of raw material supply to the external market should not exceed the profitability of its processing within the country, and the return on investment in the development of promising sectors of the economy should be sufficient for their expanded reproduction. At the same time, it is necessary to break the information contour of pricing commodities at world market quotes.

A system of exchange trading in roubles is necessary to ensure competitive pricing in the materials sector. For these purposes, it is necessary to develop and approve the Concept on the formation of the common exchange market for goods including measures aimed at the formation and use of exchange and over-the-counter price indicators in roubles and other national currencies of the EAEU.

Macroeconomic, structural and institutional policies combined should solve the problem of the investment crisis, involving a threefold increase in investment in production growth. At a microlevel, it is necessary to restore the relationship between productive and socially useful activities and profits of economic entities, to create conditions stimulating the constructive motivation of entrepreneurship to increase production efficiency, to introduce progressive innovations and master modern technologies, to transform income and savings into investments.

CONCLUSIONS

The strategy of accelerated economic development described above implies a drastic raise in the responsibility of federal executive bodies for the living standards of citizens.

In all circumstances of the global crisis, Russia must retain an independent policy and influence on the global situation. Reliable natural raw materials and defense potential provides us with objective opportunities. Even in the nightmare scenario of the global crisis, Russia owns the necessary resources not only to survive independently, but also for accelerated development. Therefore, in international initiatives Russia should focus solely on its own interests, completely abandon the previous US and other NATO countries lending policy or following them. In the worst-case scenarios of the global crisis, Russia will be able to improve its position in the world economy by pursuing policies to its own advantage.

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