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What Can You Buy With a Digital Ruble?

By: www.ProfitableInvestingTips.com

The US and other nations have been looking into digital currencies. Now the Russians are looking into a digital ruble. In the case of Russia, part of the reason is because their economy has been squeezed by sanctions due to their invasion of Ukraine. If their plans work out where could you buy digital rubles? For that matter, what can you buy with a digital ruble? Russia is in the planning stage for this with legislation just passed by their upper house of parliament. Once the law comes into effect the Bank of Russia will begin tests of their new digital currency.

What Is a Digital Currency?

We have gotten used to thinking of Bitcoin and other crypto tokens as digital currencies. However, cryptocurrencies are not the only digital currencies. They are decentralized digital currencies. There are also virtual currencies which may be issued by companies or other business or private entities. While cryptocurrencies are recorded on a decentralized blockchain network, virtual currencies are recorded on a central computer system. The third type of **digital currency** will be a governmental digital currency such as the US is considering. This type of currency will be virtual and stored on a central computer system. Unlike either virtual currencies or cryptocurrencies, a governmental digital currency will be backed by the government that issues it and will always match in value the physical currency that government issues.

How Common Will Digital Currencies Be?

According to *Bloomberg*, more than half of the world's central banks are planning digital currencies. At least twenty nations have pilot programs operating. These include Japan, China, and India. We can now add Russia to the list. The point of having a digital currency is to be able to buy and sell things with it. That was, in fact, the original plan with Bitcoin and what decentralized finance businesses do routinely. With a digital currency backed by a government a person would not need a stablecoin in order to maintain parity with their nation's currency. Their digital money will be equal on a one to one basis with that currency.

What Will Russia Use Its Digital Currency For?

A big problem for Russia is that they have been largely excluded from the international banking system. This is due to sanctions enacted after they invaded the neighboring country of Ukraine. In *Bloomberg's* article about the **pilot digital ruble**, they say that fifteen lenders in the country will open accounts for individuals and companies. Although these wallets in these accounts could be used for domestic purchases the point is to facilitate international payments. This is because Western banks that control the international transfer of monies have excluded Russia. Russia does deal directly with China and India and several other nations who are not involved in the EU and US sanctions.

Who Wants Rubles?

Providing that Russia develops a digital ruble and puts a system into effect to use it for payments, they will need folks who want rubles as payment for goods and services. The ruble is not the US dollar, euro, yen, or British pound. Like with the vast majority of minor currencies, one has to trade rubles for dollars and then dollars for the other currency in order to convert rubles to that currency. Nations that may likely be happy to use rubles will be folks like Iran and North Korea. They can turn around and buy from Russia with rubles because they have no trade sanctions. Russia has largely been cut off from Western technology. They used to sell oil, wheat, and a lot of strategic minerals and metals to get the dollars to buy foreign goods. All of that required access to the international banking system. It will be interesting to see if the Russian digital ruble works in Russia. It will be more interesting to see if it helps Russia solve its issues of buying foreign goods. Nobody is likely to accept payment with rubles and then keep them as the currency steadily loses value versus the US dollar.

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