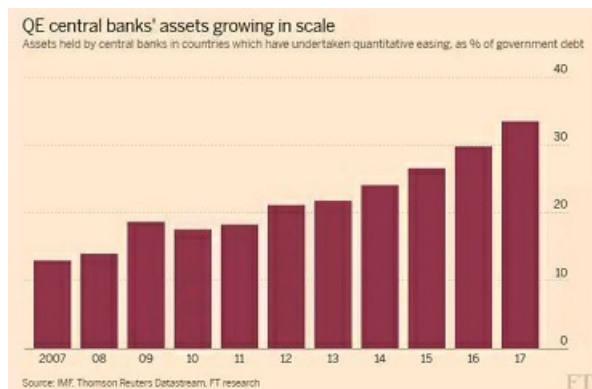


Central banks are buying up the world!

As world central banks embark on a new round of collusion to prop up the morally and financially bankrupt global financial system, a few questions are in order: How far should central banks go creating money, manipulating interest rates and confiscating savings, to prop up private investors and banks? And shouldn't those decisions really be made by governments, rather than clubs of private bankers?



"Central banks hold a fifth of their governments' debt", declared a 16 Aug. 2017 Financial Times article. (Screenshot)

Central banks are making policy that affects everyone, but their constituency is not the average citizen. It is pin-striped, cigar-smoking thieves. It is time to end the central banks' de facto coup over governments. The quantitative easing (QE) program of the past 11 years, whereby central banks buy debt instruments to inject cash into the economy, has made central banks the largest owners of government debt, and increasingly of the shares of private companies. The program was supposed to be temporary, but unwinding it hasn't worked, and with a new crash on the horizon its proponents are set to unleash even more radical measures from the same playbook.

With very little policy space left to manoeuvre, given bloated central bank balance sheets and very low interest rates, today's push is pre-emptive rather than reactionary. It includes deep negative interest rates and the Bank for International Settlements (BIS) -dictated ["bail in" regime](#). Financial expert Satyajit Das, in a 26 July article for Bloomberg, warned that the massive debt bubble fostered by governments and central banks since the global financial crisis is about to get bigger, and that the "dynamics of credit markets" change under negative rates. Banks are locked into a cycle of passing on liquidity even to "zombie" firms, and "emerging signs of debt distress" will be less visible, he said.

The US Fed cut rates on 31 July for the first time since the GFC. Like in 2008, the USA and Europe are moving simultaneously, along with fourteen other central banks which cut rates in July. Despite the Fed's denials that it is the start of an aggressive easing campaign, all indications are that the central players of global banking see crisis on the horizon.

On 23 July London's *Financial Times* urged the European Central Bank (ECB) to use "all the tools" at its disposal to stimulate the financial system, reminding readers that outgoing chair Mario Draghi has said the limits on quantitative easing are flexible. The world's largest asset manager, BlackRock, which has also been shorting the Australian dollar, is urging the ECB to reignite its QE program by buying *equities*. Draghi had announced on 25 July that the ECB was looking at a range of monetary expansion measures, including rate cuts and another QE package, but Germany is running a budget surplus so there is a shortage of government bonds available for purchase, along with other technical restrictions.

Financial commentator and editor of MoneyWeek, Merryn Somerset Webb, writes that the ECB driving up share prices at the instigation of a major player who would benefit—and which just put out a note advising its clients to buy European equities—is indicative of how extreme monetary policy benefits a select few. "What is being suggested here", she said, "is that the ECB, a publicly owned institution, prints money and uses it to buy equity stakes in private companies. In other words, the only way to save capitalism is to begin to nationalise it."

In fact it is worse than that. The ECB might be "publicly owned", but like most central banks it is completely independent of government. Its purchase program thus amounts to a private power usurping the role of the state for private benefit—the historical definition of fascism. Even chief global strategist at Morgan Stanley, Ruchir Sharma, wrote in the *New York Times* on 29 July that the benefit of the last decade of easy money has gone to "the wealthy, monopolies, [and] corporate debtors", because "the wealthy own the bulk of stocks and bonds" being pumped up, and ultra-low interest rates have "helped large corporations increase their dominance ... squeezing out small companies".

But, Webb continued: "Global elites have a full-on meltdown every time the UK opposition leader Jeremy Corbyn suggests some kind of 'people's QE' or nationalising a couple of utility companies. Yet

when BlackRock says this no one blinks.” Webb’s report on how QE has played out in Japan prompts questions about where extreme monetary policy will leave us—with government of, by and for the bankers? “The Bank of Japan has been buying domestic equities for years: it owns about 75 per cent of the country’s exchange-traded fund market and is a top 10 shareholder in 40 per cent of Japan’s listed companies.” It also holds a greater chunk of its government’s debt than any other central bank.

The Fed’s holdings of US public debt surpasses all other debt holders, foreign and domestic, including China and Japan, and US pension funds (see “Who Owns the US National Debt?” at thebalance.com). The US Fed, ECB, Bank of Japan, Bank of England (BoE) and the Swiss and Swedish central banks owned one-fifth of their governments’ total debt in 2017, according to IMF and central bank figures put together by FT.

A 22 July London *Times* article revealed that BoE officials wonder if the job of central bankers has been “politicised” by large-scale QE programs. Wrote the *Times*: “Andrew Hauser, executive director for markets, said the strategy had taken ‘central banks into new areas’ and complicated their relationship with the government because central bank balance sheets were now swelling with government debt.”

Hauser continued: “When you are holding a substantial stock of your government’s debt, naturally politicians are going to want to ask tougher questions of you. We are buying the debt of governments, we are buying the debt of private entities, and the relationship between central banks and governments has become more complicated as a result.”

The real threat is not politicians asking tougher questions of central bankers, it is central bankers—who hold all the cards—making demands of politicians! Indeed, this is the mission for which the “central bank of central banks”, the BIS, was founded: to direct central banks globally in making economic policy for governments. This has been shown to be the case, explicitly, in the drive for a global “bail-in” regime to prop up banks in a crisis. Nations must reject this policy direction while they still have the power to do so.

Australian Alert Service 7 August 2019

Printed from <http://cecaust.com.au/print/pdf/node/453>, on 19 Aug 2019 at 12:08 pm