

# BlackRock's monetary 'regime change' is fascism

On 22 August, timed to coincide with the annual gathering of global central bankers at Jackson Hole, Wyoming on the theme "Challenges for Monetary Policy", the largest asset-management company in the world issued an extraordinary call. BlackRock, with investments of nearly US\$7 trillion, called for monetary and fiscal policy to be fused into a single weapon deployable by central banks against the oncoming financial crisis. It is a weighty proposal, coming from former central bankers including former Swiss National Bank president and current BlackRock vice-chair Philipp Hildebrand, former Federal Reserve vice chairman and former Bank of Israel governor Stanley Fischer, and former Bank of Canada deputy governor Jean Boivin, who all coauthored a new report.

The deployment of this new capability will not be aimed at saving economies or citizens, but at continuing the failed mission of reinflating speculative asset bubbles which are again threatening to blow after twelve years of central bank interventions to artificially prop them up. Those interventions have left central banks trapped, admitted US Federal Reserve Chair Jerome Powell at Jackson Hole, with interest rates "pinned near zero". Powell announced the Fed was conducting a review of its monetary policy tools, and "asking whether we should expand our toolkit".

In an [interview with Bloomberg on 15 August](#), Hildebrand explained the BlackRock proposal. Referring to persistent ultra-low interest rates, Hildebrand warned that if we hit a crisis, "really there is very little, if any ammunition left ... we're hitting rock bottom in terms of how low you can drive interest rates in Europe". Introducing the new BlackRock paper, titled "[Dealing with the next downturn: From unconventional monetary policy to unprecedented policy coordination](#)", Hildebrand asked, "so therefore ... what comes next? What's the next regime? And my guess is that if we go into that environment we're going to see a regime change in monetary policy that's as big a deal as the one we saw between pre-crisis and post crisis [the introduction of central bank-unleashed quantitative easing]. And one element of this, an important one, will be a *blurring of fiscal and monetary activities and responsibilities.*" (Emphasis added.)

Under the new regime central banks would assume a role in fiscal policy, in addition to their role in deploying monetary policy. BlackRock proposes an "unprecedented response" to the crisis known as "going direct", whereby the central bank puts money directly into the hands of public and private spenders, including governments, to stimulate the economy and boost inflation. The proposal demands "a more formal—and historically unusual—coordination of monetary and fiscal policy to provide effective stimulus".

This is necessary, BlackRock says, because governments cannot be relied upon to utilise fiscal policy efficiently, and they are bound by multiple constraints, from concern over high debt levels or hardwired deficit limits, to political and regulatory restrictions, the need for legislative approval or time lags associated with multiple layers of government. "[F]iscal policy is typically not nimble enough, and there are limits to what it can achieve on its own", says the report.

While the BlackRock report points out problems with so-called helicopter money, and claims that its proposal is distinct from this and from Modern Monetary Theory where monetary policy directly finances fiscal deficits, the difference seems to be only one of scale. The report suggests that its mechanism would be different than historically disastrous examples of monetary financing such as that created by the hyperinflation of the 1920s Weimar Republic, because by enshrining central bank independence its decisions would not be "dominated by short-term political considerations" that lead to "uncontrolled fiscal spending".

The proposal would establish a special facility, which while permanent would be activated only as necessary for a discrete, pre-set time frame. Central banks would activate the "Standing Emergency Fiscal Facility", and decide the size of the stimulus. According to Bloomberg's report, "Independent experts would decide how best to deploy the funds". In last week's AAS, we reviewed the role of BlackRock in the Green Finance Initiative which shows financiers are currently stoking a new green bubble as a means of propping up the financial order. ("[The City of London's new green bubble](#)", AAS, 21 Aug.)

Without the proposed regime change, which would grant private central banks some of the powers of government, central banks are almost out of ammunition to forestall the crisis. Following the Jackson Hole meeting, President of the St Louis Federal Reserve James Bullard told London's Financial Times that a financial "regime shift" had been recognised, which meant that "cherished notions" of central banking are being rethought. "We just have to stop thinking that next year things are going to be normal", he said, affirming that there would likely be no return to pre-global crash policies.

The Bank for International Settlements (BIS) has already enshrined bail-in laws into legislation across the globe, which put banks ahead of people in a financial crisis, allowing bank regulators to confiscate savings and investments to keep banks afloat. But the lust to assume the powers of governments only grows. A new BIS working paper, "(Un)conventional Policy and the Effective Lower Bound", which insists that "credit policy can be a powerful substitute for interest rate policy", bolsters the BlackRock assessment. The BIS advocates a combination of standard and non-standard central bank policies, affirming that central bank lending can subsume private lending in reaction to a financial shock, providing "direct credit to the economy".

## Who calls the tune?

There is nothing wrong with the idea of deploying credit into the economy, but the question is, who deploys it and for what purpose? Allowing the banks that channelled 100 per cent of QE into speculative asset bubbles rather than the productive economy, creating gross inequality and even worse financial and debt bubbles, to engineer this new credit policy would amount to collective suicide.

Similar proposals for injections of credit into the economy, *by governments* for nation-building projects, are denounced as populism or anathema to the free market. Since the formation of the Bank of England as a private central bank in 1694, the unwritten law of the UK was that governments must not interfere in banking. This was expressed by 19th-century British Prime Minister William Gladstone in 1852: “The hinge of the whole situation was this: the government itself was not to be a substantive power in matters of finance, *but was to leave the Money Power supreme and unquestioned.*” (Emphasis added.)

This has been true for Australia whenever we attempted to create national credit. The reaction was particularly fierce when Labor Treasurer Ted Theodore proposed a fiduciary note issue during the 1930s depression to revive the economy, and in 1945 when the Labor government of John Curtin moved to make the war-time credit creation of the Commonwealth Bank permanent. City of London-deployed banking authorities intervened to stop us every time. (See [Time for Glass-Steagall Banking Separation and a National Bank!](#), CEC, May 2018.) This was re-stated after the global financial crisis when Treasurer Joe Hockey told the Federal Parliament that “If there have been any lessons learnt, Mr Speaker, over the last 30 years in Australia, it is that government should not be involved in banking.”

Giving power over banking, and the economy more generally, to private, unelected bankers puts us firmly back on the path to fascism, which not coincidentally was born in the lead-up to the 1930s depression. US President Franklin Delano Roosevelt nailed this phenomenon as a betrayal of the powers of government to private interests, in the opening words of his 29 April 1938 Message to Congress on Curbing Monopolies, excerpts of which we republish here.

## Message to Congress on curbing monopolies

*US President Franklin Delano Roosevelt, 29 April 1938*

Unhappy events abroad have re-taught us two simple truths about the liberty of a democratic people.

The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism—ownership of Government by an individual, by a group, or by any other controlling private power.

The second truth is that the liberty of a democracy is not safe if its business system does not provide employment and produce and distribute goods in such a way as to sustain an acceptable standard of living.

Both lessons hit home.

Among us today a concentration of private power without equal in history is growing.

This concentration is seriously impairing the economic effectiveness of private enterprise as a way of providing employment for labour and capital and as a way of assuring a more equitable distribution of income and earnings among the people of the nation as a whole. ...

We believe in a way of living in which political democracy and free private enterprise for profit should serve and protect each other—to ensure a maximum of human liberty not for a few but for all.

It has been well said that “the freest government, if it could exist, would not be long acceptable, if the tendency of the laws were to create a rapid accumulation of property in few hands, and to render the great mass of the population dependent and penniless.”

Today many Americans ask the uneasy question: Is the vociferation that our liberties are in danger justified by the facts?

Today’s answer on the part of average men and women in every section of the country is far more accurate than it would have been in 1929—for the very simple reason that during the past nine years we have been doing a lot of common-sense thinking. Their answer is that if there is that danger it comes from that concentrated private economic power which is struggling so hard to master our democratic government. It will not come as some (by no means all) of the possessors of that private power would make the people believe—from our democratic government itself.

Even these statistics I have cited do not measure the actual degree of concentration of control over American industry.

Close financial control, through interlocking spheres of influence over channels of investment, and through the use of financial devices like holding companies and strategic minority interests, creates close control of the business policies of enterprises which masquerade as independent units.

That heavy hand of integrated financial and management control lies upon large and strategic areas of American industry. The small business man is unfortunately being driven into a less and less independent position in American life. You and I must admit that.

Private enterprise is ceasing to be free enterprise and is becoming a cluster of private collectivisms: masking itself as a system of free enterprise after the American model, it is in fact becoming a concealed cartel system after the European model.

We all want efficient industrial growth and the advantages of mass production. No one suggests that we return to the hand loom or hand forge. A series of processes involved in turning out a given manufactured product may well require one or more huge mass production plants. Modern efficiency may call for this. But modern efficient mass production is not furthered by a central control which destroys competition among industrial plants each capable of efficient mass production while operating as separate units. Industrial efficiency does not have to mean industrial empire building.

And industrial empire building, unfortunately, has evolved into banker control of industry. We oppose that.

Such control does not offer safety for the investing public. Investment judgment requires the disinterested appraisal of other people's management. It becomes blurred and distorted if it is combined with the conflicting duty of controlling the management it is supposed to judge.

Interlocking financial controls have taken from American business much of its traditional virility, independence, adaptability and daring—without compensating advantages. They have not given the stability they promised.

Business enterprise needs new vitality and the flexibility that comes from the diversified efforts, independent judgments and vibrant energies of thousands upon thousands of independent business men.

The individual must be encouraged to exercise his own judgment and to venture his own small savings, not in stock gambling but in new enterprise investment. Men will dare to compete against men but not against giants. ...

The power of a few to manage the economic life of the nation must be diffused among the many or be transferred to the public and its democratically responsible government. If prices are to be managed and administered, if the nation's business is to be allotted by plan and not by competition, that power should not be vested in any private group or cartel, however benevolent its professions profess to be.

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