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The evidence and theory for how monetary collapse has been made inevitable.

IFLAS Occasional Paper 11

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Professor Jem Bendell

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Occasional Papers are released by the Initiative for Leadership and Sustainability (IFLAS) at the University of Cumbria in the UK, to promote discussion amongst scholars and practitioners on themes that matter to our staff and students. This Occasional Paper is a preprint of a chapter in the forthcoming book *Breaking Together* (forthcoming 2023). The text has not been altered and therefore refers to the book and its chapters. Previous Occasional Papers are available here. To share your thoughts or activities on related issues, consider engaging this LinkedIn group. To be alerted when the book is published, including a link to obtain the ebook for free, subscribe to the author's blog.

Abstract:

This paper is a preprint of a chapter in the forthcoming book *Breaking Together* (Bendell, 2023). It provides evidence on the chronology of decisions by monetary authorities since the start of the pandemic in 2020 which contradicts some of the official explanations. Instead, by following the use of the funds made available by Central Banks, the possibility that the policy was to enable a neo-colonial acquisition of foreign assets by corporations is explained. The impact on inflation is noted, as well as the way certain corporations benefited in unprecedented, anti-competitive, and environmentally inappropriate ways. The author offers personal reflections on how an unusually risky monetary policy might imply that certain parts of the financial establishment are preparing for the possibility of a transition to new monetary arrangements - perhaps even a scheduled collapse. That might be because of their awareness of the fundamental unsustainability of the existing expansionist monetary system.

"Most professional economists don't grapple with the crucial role of banking in shaping the economy, politics and society. Most finance journalists don't dig deeper into what geopolitics is happening behind the scenes. Whether close to banking or not, the rest of us know that something is seriously wrong, and increasingly illegitimate about how the financial systems work. Oddly, perhaps, it takes a research analyst from sociology, to shine a light on what has been happening. In this paper, a preprint of a chapter in his forthcoming book, Professor Jem Bendell points to what was happening behind the headlines of the pandemic, and more recently, in the financial markets. It means that any of us who care about the environment, society, sovereignty, or even free enterprise, need to organise to better understand money and banking, and prioritise it in our political engagement."

Andrew Medhurst, former investment banker, and finance lead for Extinction Rebellion

Preface by the author

Some people have characterised the period of the pandemic and associated policies like being at war. If that is not mere hyperbole, then unfortunately the adage that truth is the first casualty of war applies. The public have not been receiving data-focused reportage. Instead, there has been a paternalistic narrative-controlling mass media versus an often sensationalist independent media. In the bifurcation of narratives into a fraudulent orthodoxy on the one hand and a lurid backlash on the other, informed analysis of the decisions of elites is hidden. Public dialogue degrades into trying to prove that one's existing ideas and worldview are better than that of an 'opponent'. Although independent media might be closer to the truth on a lot of issues, they are not sufficiently resourced nor have a depth of analysis to escape reactionary framings or even being manipulated to distract the public. This is the case with commentary on financial issues, where the base level of understanding is limited.

The presentation of the sequence of decisions of monetary authorities since early 2020, and how the money was then used, had not been reported before the release of this chapter as a preprint. Therefore, that sequence has not been compared to the rationales that were offered to politicians, media and the public. That means an informed discussion of the performance and accountability of officials in different sectors of society is lacking. In this chapter I avoid both the fraudulent mainstream narrative and the sensationalist counter narratives on pandemic policies to invite attention to what demonstrably occurred, the damage done to our cost of living, and, by following the money, offering some thoughts on what some of the objectives of some officials might have been.

If, or when, people disagree with such thoughts on the objectives involved, I wish to invite other serious ways of explaining the sequence of events, use of the funds, and the foreseen inflationary harm to citizens of the relevant currency zones.

I finished this chapter/paper at the end of October 2022 and released it ahead of the book's publication, due to events at the time.

Professor Jem Bendell
www.jembendell.com

The evidence and theory for how monetary collapse has been made inevitable.

At 8:30 p.m. on 23 March 2020, then British Prime Minister Boris Johnson announced a stay-at-home order effective immediately, backed up by the subsequent regulation three days later. The stated aim was to “flatten the curve” of the rate of infections. So, he launched the slogan "Stay Home, Protect the NHS, Save Lives" and said that the lockdown would be reviewed every three weeks. This was unprecedented and came as a surprise to the public. But a week earlier, on March 17th, the Governor of the Bank of England, Andrew Bailey wrote to the chancellor Rishi Sunak outlining a similarly unprecedented measure, which would direct tens of billions of pounds directly to large corporations:

"The new Covid-19 Corporate Financing Facility (CCFF) will provide funding to businesses by purchasing commercial paper of up to one-year maturity, issued by firms making a material contribution to the UK economy. It will help businesses across a wide range of sectors to bridge across the economic disruption that is likely to be associated with Covid-19, supporting them in paying salaries, rents and suppliers, even while experiencing severe disruption to cashflows. The Bank will implement the facility on behalf of the Treasury and will put it into place as soon as possible."[1]

At the time the governor wrote this, business activity was still normal. Even if it had taken the prime minister a week to decide to lockdown, the official understanding at the time was that a lockdown would last only a few weeks. And while it was reasonable to expect limited economic disruption from a short lockdown, there were no indications that private financial markets wouldn't have coped with it. Was the governor clairvoyant? If so, he would needed to have had the vision some months earlier, as it takes a long time for entirely novel funding mechanisms to be established. However, his clairvoyance didn't stretch to seeing how the corporate recipients of his largess would use the funds. Within months, approximately 39% of CCFF participants had large-scale redundancies planned, totalling over 34,000 UK-based jobs. Of course, any businessperson knows that just because you can borrow money cheaply doesn't mean you will spend it on wages of staff you don't need for customers and income you don't have. Frankly, the governor's letter could convince only the most gullible people with zero business sense. Yet the media dutifully accepted illogical explanations and ran stories about the Bank of England's sensible response to a crisis. But if the Bank of England was not really giving money to corporations for "supporting them in paying salaries", what was it really doing?

To begin to answer that question one needs to understand how monetary systems function today, and how they are not only hastening the collapse of both natural and human systems. but are known to be on the verge of collapse by some senior officials. In this chapter, I will explain key aspects of monetary systems and show that it was not the pandemic but geopolitical power struggles that lie behind the recent monetary policies. I will explain that because many senior officials know that the current monetary system must collapse at some point, it is rational for them to have scheduled that collapse—or a rough transition with banking casualties—ahead of time.

I am dedicating a whole chapter of this book to the soon-to-be-collapsed monetary system in full awareness that this topic seems both impenetrable and boring to many readers. This opaqueness and the reluctance of the general public to engage with the topic reduces public scrutiny and political intervention in monetary policy. To counter that, I continue to include monetary issues in my analysis and recommendations (Chapters 10, 12 and 13). My own desire to understand the mechanics of power overrode my aversion to the complicated and boring language in monetary economics back in 2006 when I was a senior manager of a team working on economic governance at the environmental group WWF. One day at work, my boss Robert Napier passed me in the corridor and said: "Take a look at how the Mann Group makes its money. It's absolutely crazy." That started me on an intellectual journey that progressed from learning about how hedge funds like the Mann Group made their outrageous returns, to then looking deeper at the monetary system. I began to learn that the nature of banking, and how money is created, shapes the way we experience both the economy and society. From such work, I became a contrarian critic and proposer of alternative approaches. For instance, in my TEDx talk in 2011, I described how currency innovations like Bitcoin were taking off and called for communities and local governments to create their own currencies before Facebook did. The topic had become my obsession. The following January, I stood up in the plenary hall in Davos, at the World Economic Forum, and asked the CEO of Google about whether they would launch a global currency. I wanted to sense whether tech and banking would stay separate, or there might be a race to control the future of money.

What I have learned from a mix of reading heterodox monetary theory, engaging with libertarian software engineers and talking to people at high level events like those of the World Economic Forum and United Nations, has given me a framework for analysing what I have seen in the last few years of monetary policy. Many private bankers I have spoken to believe that the current monetary systems will not last. They know the era of hegemony of the US dollar is coming to an end as oil purchases become far less significant to national

economies in the coming years. A smaller number also know about the environmental limits and economic contradictions of our expansionist monetary systems. Therefore, they anticipate a collapse and want to enable some options for their countries, institutions and elites to retain power within whatever monetary arrangements might take over. To understand this situation, one needs to understand how the current monetary system actually works, how it has been a threat to the stability of humanity and the biosphere, is now beginning to reach its limits, and what the options might be. If you appreciate these things, I think you might agree that the monetary system would not likely collapse in a random fashion but be triggered when a coalition of corporate and banking interests, both public and private, determine that they are ready to profit from that transformation. In this chapter I will argue that senior officials' knowledge of the impending collapse of monetary systems can best explain why, a few years ago, they switched focus from managing inflation to, with the excuse of the pandemic, prioritising support for the largest corporations headquartered in their countries in their neo-colonial race to acquire assets around the world.

Why growth became God

At Davos I thought, perhaps naively, that I was mixing with the real power wielders of the world. I never felt at ease in what Mr Johnston once described as "a constellation of egos involved in massive mutual orgies of adulation." A few tequilas at the McKinsey Party helped me to ease my awkwardness hobnobbing with people who were often described to me as really-nice-and-down-to-Earth-despite-being-who-they-are. That was the 'high' bar that non-famous people tended to set for the people who happen to be billionaires, film stars, CEOs, despots and such like. I learned that the appropriate response was to put on my smile of amazement and say "that's great." I had thought it was important that someone like me attended and tried to promote alternative ideas. Some years later, I now know that there have been hundreds of other gullible I-am-different-and-will-make-a-difference activists who tell themselves that story as they maintain fake smiles while listening to absolute garbage coming from one panellist after another and wondering which party to go to next. But at least my years of attending the summits in Davos as a Young Global Leader opened my eyes to a reality of global power. It's a mess. Most of the people I met with powerful roles seemed incapable of acting competently in the collective interest in accountable ways. Worse, attempts to invite people to think beyond their organisation or ego just seemed to make matters worse. In one session, where I was sitting in a circle with billionaire tech entrepreneurs and soon-to-be-CEOs of global banks, we were handed cards to encourage discussion. The question we were asked was: "What one thing can I do this year to enable greater economic growth?" The question was explained to us with a reverence, like we were being asked "what one thing can I do this year to help more people find Jesus?" I stared down at the card—a heathen with a thumping heartbeat.

The fact that economic growth became God is one of the reasons why humanity is, to get a bit technical, so exponentially fucked. A quick summary of the basics may help here. Gross Domestic Product (GDP) measures the total of the production of all goods and services in a country, and Gross National Product (GNP) measures GDP plus income from foreign investments. Economic growth occurs if GDP rises, after adjusting the figures for inflation. Politicians tell us that such growth is important to us for a number of reasons. They say it reflects improvements in our standard of living, as it means we are accessing more goods and services. They say it also reflects plentiful employment opportunities. They also say it means that as tax revenues increase with growth, better public services can be provided by the government, such as infrastructure, health and education.

Not all politicians have been so enthusiastic about focusing on GDP growth. In 1968, a few months before he was murdered, US presidential candidate Robert Kennedy spoke the following:

"Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl... Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile. And it can tell us everything about America except why we are proud that we are Americans."[2]

Around the time he gave this speech, the environmentalist criticisms of economic growth had been growing in the West. More people were recognising that not only did growth ignore that which is of great intrinsic worth, but it measured much that was not valuable—or even destructive. The deeper critique also existed that growth simply could not continue forever in a world of relatively limited renewable resources like timber from forests, and absolutely limited non-renewable resources such as oil and gas. Ecological damage was already underway in the late 60s, and economic growth was compounding it with frightening speed. That's because 2 percent growth in any given year is a bigger increase in economic activity than 2 percent growth in the preceding year, because it starts from a larger base. Imagine a blob on the centre of this page that represents the resource 'footprint' of industrial consumer society. As it keeps increasing by 2 percent, the amount of surface area it covers expands by a greater amount each year. It would seem to increase slowly but then would speed up in filling the page. And then the room—so there'd be no room for you anymore. That is why we often hear the concern that if an economic system requires infinite growth on a planet of finite resources it will inevitably collapse at some point.

For decades these criticisms were largely ignored by politicians. That changed in 2016 when at last governments began international discussions about the limitations of the GDP measure for either economic or social progress. Even at the World Economic Forum there were earnest discussions about the need for new measures of progress.[3] Although that was a shift from the growth fanaticism that I had experienced at their Davos summit just a few years previously, there was something completely superficial about their attention to the subject. Economic growth remained their continuing objective for national governments, but it was now combined with additional metrics of wellbeing or environmental quality. Their approach relied upon discounting the deeper critiques of eternal economic growth being impossible by embracing the idea that GDP growth could be significantly decoupled from resource consumption and pollution. This theory is multi-faceted. It includes the view that at the level of individual products, we will be able to get the same for less resource: for instance, a beer can or a car with far less metal needed to make either. Another aspect of the theory is that we will obtain the same function or outcome in our lives without the same amount of resource, because we will switch to consuming a service: for instance, having access to a car, or a bus, rather than owning a whole car to ourselves. Another aspect of the decoupling theory is that the service sector in general provides ample growth opportunities while requiring fewer resources than other sectors such as manufacturing. And yet another aspect of the theory is that there are growth opportunities in the technologies and related products that actually reduce the pollution coming from other activities. All of this together had made quite a powerful and popular theory within the contemporary environmental sector. It offers the vision of a bright green future, which helps make individual efforts within corporations seem worthwhile. The slight problem with this vision is that it is a lie.

In the last chapter I discussed the lack of evidence for decoupling GDP growth from resource consumption and pollution in a significant way, let alone it being sufficient to address the ecological crisis. In the next chapter I will further report on the research that shows the lack of decoupling between GDP and energy demand, and therefore the

difficulties faced even within an era that is adding renewables quickly to the energy mix. That is why more people in the environmental sector have recognised the bright green vision is actually a mirage and are making the case that the richer countries of the world must consciously 'degrow' their economies. In the last few years, the 'degrowth' agenda has become a hot topic for academic conferences. Degrowth proponents are always hopeful that this year (whichever year you are reading this) will be the moment that it finally goes mainstream and becomes policy. They claim that all that is needed is better communication to change perceptions about not needing economic growth. When I hear that enthusiasm, I recall that speech made over four decades ago by a US Presidential candidate. I ask, which leading politicians, anywhere, are calling for a degrowth agenda, let alone critiquing GDP as poetically as RFK was? I see no evidence of progress in getting politicians in richer countries to talk about the need to deliberately shrink their economies. In addition, the idea that politicians and the public, together, could decide to degrow their economies, without massive negative consequences, is fundamentally flawed, due to the nature of the monetary systems in nearly all countries of the world.

To understand the historically persistent, politically pervasive and geographically extensive fixation on economic growth, one needs to understand the nature of the current monetary system. In nearly all countries of the world, the money supply is created when private banks issue loans. In doing so, they are not lending an existing stock of money from somewhere else but creating it as an accounting entry in their customer's bank account in return for the customer signing a loan agreement. Those electronic bank deposits then act as a means of payment—the nationally acceptable currency—through the agreements between the private banks and the electronic payment systems of various kinds. That means physical notes and coins comprise a very small part of the total money in an economy.[4] This has been the situation for many decades, and yet opinion surveys show that the public and politicians both mistakenly assume that it is governments or central banks that create the money supply, rather than private banks.[5]

The fact that monetary system works in this way ensures that a country's economy will always be required to grow in order for the society to keep functioning and avoid a collapse. That is for two reasons—the power of the financial institutions through government bond markets and the way their debt-money circulates and aggregates in an economy. Let's briefly look at each process.

The current monetary system in most countries of the world gives the private banks decisive influence over who gets money to do what, and who doesn't. Even governments do not create their own electronic money. Instead, they are one form of customer to the private banks, who issue the money to then buy the government bonds. In some countries, central banks buy government bonds from the banks that initially bought them, or buy them directly from the governments, especially during periods of monetary concern. Although some commentators regard central banks as part of the state, that would be a mistaken assumption. Rather, their forms of ownership and governance are varied. For instance, one Singapore sovereign wealth fund owns some of the private Swiss bank UBS, which owns part of Switzerland's central bank. The US Federal Reserve is owned by a consortium of private banks.

It should be noted that it is a choice that governments have made to issue bonds and get into debt, rather than issue their own digital cash as equivalents to physical cash. Choosing such an approach designed away their monetary sovereignty, as it provided the banking sector with a combined influence over government policies, particularly their financial regulations. That influence comes in the form of financial institutions deciding not to buy a government's new bonds. When that happens, a government's cost of borrowing increases, leading to further transfers of wealth from the state to the financial sector, pressure to cut

public spending, and even pressure on their currency on international markets that then leads to domestic inflation, with the further difficulties resulting from it.

A monetary system where private banks issue our money supply as debt cannot exist in an economy that does not enlarge itself. That is because this form of monetary issuance involves compounding interest payments to the banks and only the partial return of earnings from that interest (and/or fees) back into the economy as wages and real-world asset purchases, so that available money becomes insufficient to serve the economy unless there is a continual increase in lending. That imperative for more-lending-if-not-fully-spending in order for an economy to avoid a shrinkage in available money, known as a recession, means that actual economic activity also needs to grow, for the loans must be issued for something. This is a form of 'monetary growth imperative' arising from the nature of the debt-based monetary system in a situation where bank earnings are, understandably, partially saved rather than recirculated.[6] As banks are the ones deciding who gets that new money and what for, they choose the activities that can generate a yield with low risk. Think skyscrapers, not permaculture farms. Therefore, the growth imperative means that people and nature must be deployed according to the aims of the banks—thereby driving commodification and commercialisation of all life and, due to the need for additional money to service debts, a push to externalise more costs onto society.

If there was a different monetary system, the same number of people working at the same pace and productivity in the same number of shops, factories, farms, offices, restaurants and suchlike could continue undisrupted. However, with the debt-based monetary system owned by private banks, if the growth stops, the economy is disrupted by the disappearance of money as loans are paid off (as the debt *is* the money in circulation). Suddenly with less money in the economy, there is less commerce, and therefore less money to be earned and thus less employment, so that there is less money available to pay off debts such as mortgages on houses. The result is mass unemployment, business bankruptcies, defaults and foreclosures on debts, house repossessions and so on. The monetary factor in the growth imperative means that the option for a steady-state economy which does not expand is removed. Fearing the negative impacts of economic recession, politicians are scared to do anything that would harm economic growth. That is why they are allied to growing GDP and won't be swayed from that focus due to other considerations, like the environment.

I am saying that politicians have no choice but to try to grow GDP if they are to avoid their country entering recession and facing economic ruin. What do you think about such a system? I consider it a form of tyranny. It means that we can't choose to change the direction of our countries and communities. We must continue to expand the consumption of our country's resources, and work ever harder, in order to create more profits for the international banking system. That militates against our natural inclinations and capabilities to live in better harmony with nature. To me, that is neither real sovereignty, nor freedom. Instead, because the monetary growth imperative demands systematic enclosure, commodification and exploitation of all natural resources, it is clearly the 'source code' for contemporary imperial modernity.

This 'grow-or-die' monetary system is not what we want as we experience the ending of those 'get outs' from the contradictions of capitalism that we looked at in the last chapter. The current expansionist monetary systems make it impossible to try for a softer landing for industrial consumer societies as they break down. The contradictions of capitalism coming due are adding to the pressures that hasten the inevitable collapse of the growth-reliant monetary system (as we saw in Chapter 1). That is why an 'ecolibertarian' can seek to marginalise or escape such systems, and prepare for their collapse, while promoting non-expansionist monetary systems that involve not only a reformed state-backed national currency but also a plethora of community owned currencies (see Chapters 11 and 12).

Such perspective also puts a different complexion on the changes seen in the management of monetary systems since the financial crisis of 2008—to which we will now turn.

Responses to the financial crisis of 2008 were the beginning of the end

The financial crisis of 2008 is not just history. Decisions taken at the time are affecting people's lives today, and increasingly so, as they are leading to the breakdown of banking and monetary systems. In 2008, to keep money circulating and consumer demand sufficient for industrial consumer societies, most governments of OECD countries chose to provide money directly to their financial sectors—by buying what would otherwise be worthless financial assets from otherwise distressed financial institutions. To have the money to do that they also sold more bonds. As this was an unusually large volume of public debt creation, the private banks were encouraged to keep buying the bonds by the central banks backstopping that process and buying the bonds off the private banks. Not only did that mean government debts spiralled in unprecedented ways, thereby casting doubt on the long-term viability of a government maintaining its public services, it also enabled an untethering of the financial system from the real economy. Because of austerity policies, the real economy nose-dived, but this financial engineering meant that the financial sector became even richer. That accelerated the multi-decadal decline in workers gaining a share of corporate profits, as we saw in the last chapter.

Although the private banks already had the privilege of generating the money supply for countries, after 2008 they were doing it at a new level and circulating the new money within the stock market to then increase the prices of stocks. The real economy of primary industries, manufacturing and non-financial services became far less relevant to the profits of the banks. Therefore, these new arrangements changed the strategies of the wider financial sector. As the valuation of stocks was less tethered to the real economy, the role of asset managers in picking stocks based on business fundamentals was less important than simply tracking the stock market and supporting industry-wide efforts for favoured government and central bank policies. That is why, in the last decade, firms that focused on their capacities in automated transactions, such as BlackRock and Vanguard became so dominant. It is also why they focused on ever-closer relations with regulators and policy makers. For instance, Philipp Hildebrand, the former head of the Swiss central bank, is BlackRock's vice-chairman. Stanley Fischer, former vice-chairman of the Federal Reserve, and George Osborne, former UK chancellor of the exchequer, are senior advisers.[7]
This new situation where governments and central banks provide huge sums of money directly to financial institutions opened the door to what I believe is the largest corruption scandal in the history of humanity when the Covid-19 pandemic hit. The key mechanism that enabled it was central banks buying bonds directly from large corporations. That amounted to Western central banks giving trillions of dollars, pounds and euros directly to large corporations which then used those funds to buy up foreign assets, making those corporations richer, the citizens poorer through inflation, and governments even more controlled by the international bond markets. It is something I will chronicle in some detail later in this chapter. But to understand another possible reason why the central banks responded the way they did, we need to understand the role of the US dollar in the global economy and geopolitical arrangements over recent decades.

The geopolitics of money explains recent monetary policies

The US dollar constitutes about 55 percent of global currency reserves. The reserve currency status of the dollar means that many countries, companies and people want it, and this maintains its value even though the US has run enormous trade deficits with the rest of the world (at over half a trillion USD a year). That means the US government can acquire resources from around the world, influence policies around the world, and its citizens can benefit from cheaper imports. The US dollar keeps its status because it is used in about 90%

of the international oil trade and all countries of the world need the dollar to buy the world's most-traded commodity, which is still the primary energy source of about 40 percent of the world's industrial economy. This dominance of the dollar in both currency reserves and global oil trade is no accident. Rather, it was a geopolitical decision made in the 1970s, when President Nixon closed the 'gold window' at the Federal Treasury. That ended the relationship of one US dollar to a fixed amount of gold. Instead, it became a fiat currency that floated against other currencies. This was done so the US government would not be restrained from printing new dollars as it maintained its superpower status. The limit on the issuing of the dollar was only how many dollars the rest of the world would be willing to accept. The way that the US ensured such a demand was the requirement that oil-producing members of OPEC agreed to conduct all of their oil transactions in the dollar only. No longer backed by gold, the dollar had become backed by black gold.[8]

An alternative history of US foreign policy, which is widely discussed outside the West, sees the protection of US dollar hegemony as the key explanatory factor for US foreign policy. That history goes something like this. When the euro came into being in 1999, the US launched a war against Kosovo which undermined international capital's confidence in the potential European currency. In 2003, when Iraq announced its intention to settle oil trade in the euro, the US invaded Iraq, with the subsequent Iraqi government ditching the plan. After Russia's top crude oil producer Rosneft set the euro as the default currency for its oil sales in 2019, by 2022 the US responded to Russia's invasion of Ukraine by discouraging a ceasefire and funding a proxy war with Russia, which then weakened Europe, and might weaken Russia, although not by the time of writing.[9]

The last few years have seen more moves by countries to reduce their dependence on the US dollar. For instance, the largest oil exporter in the world, Saudi Arabia, has been exploring the sale of their oil to China in its international currency.[10] Meanwhile in 2022, a powerful group of non-Western nations comprised of Brazil, Russia, India, China and South Africa (BRICS) initiated a project to create a new global reserve currency.[11] The broader context for these moves is not only the growing power of non-Western nations and their disquiet over US foreign policy, but also something much more elemental to the world economy—the end of the era of oil dominance. That is because although oil is projected to be a huge part of the world economy for the next twenty years, there is an assumption by many governments that, after that point, other sources of energy will have displaced it due to climate-related policies, new technologies, and the increasing scarcity and cost of oil. National security officials in various countries have been looking at this issue in their long-term strategic analyses. The situation where countries do not need oil, or as much oil, is one where they do not need as many US dollars. As importantly, it is one where they know other countries don't need as many dollars either and so the demand and value of the dollar will, at some point in future, decline—perhaps precipitously.

I am not privy to the discussions within the national security apparatus within the US, but it is obvious that they would be looking at their options for creating a new way to ensure that the world continues buying the dollars issued by the US Federal Reserve. If concluding that is not possible, they would also look at how to maintain the purchasing power of the US across the world, which is what dollar hegemony means in practical terms. The most obvious option for that would be to find a way for the US government and Federal Reserve to leverage the existing global client base and communications infrastructures of the US Big Tech companies. The US government would not need citizens around the world to be transacting in a US-owned public-private digital currency for it to have purchasing power in the world economy. Instead, if every other currency of the world required some fractional amount of the US public-private currency in reserve, that would suffice. One option would be a 'reputational currency' that each of us would be required to own some of in order to have permission to transact in any other digital currency, including the national currency where we

live. It would likely be explained as a fee for identity and security checking on each transaction, and be designed so we needed to keep earning the reputational currency. Another option would be enabling currencies called ‘tokenised assets’ that are issued as promises of some kind by large corporations, in return for those corporations holding a certain amount of the US public-private currency in a fractional reserve. Since 2022, there have been rapid regulatory developments in many jurisdictions to enable such currencies. Neither of these two types of currency would be cryptocurrencies like Bitcoin or Ethereum. Nor would they be forms of Central Bank Digital Currency (CBDCs).

The rapid ending of oil dominance in the geopolitics of money loomed large when the Covid pandemic hit in 2020. Whether national security strategists imagined the planet might move into a world of ‘tokenised asset’ currencies, or national composites of such currencies that would carry the name of the national currency, perhaps with a balance of reputational currencies required for transacting in either of the other kind of digital currency, there were common strategic implications. In particular, one’s corporations owning more productive assets of countries around the world would help in any of those scenarios. In addition, it would be particularly useful to own significant shareholdings in technology companies in emerging markets that run consumer marketplaces and payments services. Knowing this geopolitics of money shines a different light on the monetary policies pursued since the pandemic and therefore a different perspective on the likelihood of a future monetary disruption or even collapse.

I believe that awareness of the ending of oil-backed dollar hegemony must be leading to a discussion of various strategies by national security and central banking elites. They must also be preparing the relevant policies that create options and engaging in sophisticated public relations efforts to shape the transition. I do not have direct sources for this insight and offer it as an external analyst. But my argument that central banking elites are considering collapse of the current monetary systems due to their expansionist nature meeting external limits and internal contradictions is backed by direct conversations with people who are part of what I call the ‘money-power’: a short-hand for the complex of people, organisations, resources, norms and rules that maintain monetary systems to serve the monetarily wealthy. For instance, people I know in the Bank of England are *privately* aware of the kinds of analysis I have outlined for you here. Even if we were to discount such insider opinions, it would imply a poor national intelligence and monetary regulation expertise for them to not be assessing the implications of contradictions and limitations that I have described in this and the previous chapters. It is with this in mind that the reckless monetary policies beginning in March 2020 can be interpreted in a more interesting manner.

The impact of disaster capitalism during a pandemic

Since 2020, there has been gross corporate enrichment under the cover of emergency response. The world’s media will be focusing for some years on the cronyism and corrupt practices in the awarding of contracts during the pandemic. However, though perhaps legal at the time, the biggest fraud involved the decisions of central banks to buy corporate bonds. The policy so obviously contravened their mandates to control inflation and not distort markets that it invites other explanations. It has hardly been reported on in the media, and so I will take some time to set out what has happened and why it has caused a range of problems experienced by us all in subsequent years.[12]

It was back in 2016 that the particular monetary tool we will looking at was launched by the European Central Bank, when it began purchasing bonds from the largest firms in the Eurozone.[13] At the start of the pandemic, in March 2020, it switched into hyperdrive to buy corporate bonds from the near 2 trillion euros of emergency money it would create in response to the pandemic.[14] In lockstep, the Bank of England began purchasing nearly 20 billion pounds of bonds from 63 of the largest British corporations.[15] The US Federal

Reserve dwarfed that with its launch of a US $500 billion mechanism in the same month.[16] This process can be summarised in a simpler way: the largest companies in a country were being handed money by an organisation that created it from nothing, in return for a contract that said the companies would pay it back in future.

Other central banks followed the lead of the EU, UK and USA, with Sweden starting corporate bond buying in September 2020[17] and others since then. The process grew and grew. For instance, between mid-March and early December of 2020, the US Federal Reserve's portfolio of securities increased from $3.9 trillion to $6.6 trillion. *The Financial Times* (FT) reported on "a frenetic pace of issuance" of corporate bonds for the following year after the new central bank policy.[18] In 2021 the global corporate bond market stood at over US $40 trillion, aided by the changes in central bank policies in 2020, 'in response' to the pandemic.[19]

In the US this new money-issuing mechanism used investment funds (Exchange Traded Funds (ETFs)) that are comprised of bonds issued by various corporations. Since the money went to the corporations with bonds in those ETFs, a crucial role was played by the financial institutions that picked which corporations' bonds to include.[20] In most cases the financial institutions packaging the bonds into ETFs own shares in the very companies that they are enabling to receive central bank or government money; these are the largest investment firms in the world. "It is truly outrageous" said one asset management executive, who declined to speak on the record due to BlackRock's influence on Wall Street. "BlackRock will be managing a fund and deciding if they want to use taxpayer money to purchase ETFs they manage. There's probably another 100-200 managers who could do this, but BlackRock was chosen."[21]

The immediate effect was for private investors to put billions of dollars in BlackRock's other ETFs "as investors raced to front-run the central bank's expected purchases" which showed "how the Fed has already indirectly shaped markets to BlackRock's benefit."[22] It is no wonder, then, why BlackRock lobbied central banks in 2019 to adopt corporate bond buying.[23] The pandemic came along at the right time for a justification for a novel monetary policy which they knew would profit them immensely.

In themselves, these unfair gains are scandalous, but they pale in comparison to the wider implications of these policy changes for economic fairness. That is because this huge upsurge of central bank purchases of corporate bonds, either directly or by purchasing ETFs comprised of such bonds, constituted a new mechanism for issuing new money which has myriad negative implications. Prior to this new era, the monetary system was already non-sovereign, with private banks overseeing both credit issuance to the real economy and the purchasing of government bonds. However, the new arrangement changes the nature of the monetary system, whereby national fiat currencies become a form of money that is issued in partnership with the largest corporations. The reasons that this is so different include where the new money goes (and where it does not), how that influences the behaviour of the wider financial sector, how that influences the behaviour of the corporations that issue the bonds and the effects on the value of the currencies involved. The impact is an inevitable decline of the currencies, economies and societies involved as well as the greater systemic risk of collapse. We will look at five aspects of that now, before turning to the theory that the decline is being deliberately managed in a way that it appears like secret preparation for a monetary collapse.

The first way this scandal generates systemic risk of both monetary instability and of a wider economic collapse is through its subsidy of companies that damage the climate. Central banks had been discussing how to address systemic risk from climate change but threw it all away as they executed their corporate bond buying. For instance, over half of the first

tranche of funds from the Bank of England were allocated to high-carbon sectors, including airlines, car manufacturers, and oil and gas companies.[24]

The second way this policy is damaging is by creating a boom in wider corporate debt, so that this rather opaque (and thus less accountable) form of asset has started growing to a point where it can pose systemic risk:

"Corporate debt, often just referred to as "credit" in the industry, is significantly more complex than equities. While a company will often just have one stock outstanding [i.e its shares], it can have dozens of individual, idiosyncratic bonds. These are affected not just by the firm's own fundamentals but also by the broader ebb and flow of macroeconomic fundamentals. The World Federation of Exchanges estimates that there are globally about 48,000 stocks. CUSIP Global Services, a company that issues identification numbers for financial securities, estimates that there are more than 515,000 corporate bonds in the US alone, each of which is as unique as a snowflake."[25]

There is scope for financial institutions to use the mix of confidence from central bank involvement and opacity to their own benefit, because ETF providers, many of whom are investment banks, can "continue creating new units in a product even if there is not really enough liquidity in the underlying asset class to support it."[26] That is possible because ETFs are a hybrid, where the price of the ETF in the stock market (not simply the value of the corporate bonds themselves) determines the value of what you are holding as an investor. In normal conditions the over-issuing of shares in ETFs "may not matter much, but in times of market stress it could cause huge problems."[27] Those times of market stress are never far away.

One reason for crises can be a period of 'irrational exuberance' for an asset, or for the whole market, allowed or helped by interest rate policies, financial propaganda, market regulation, or a lack thereof. It is important, therefore, to witness how the approach to corporate bonds has changed. Prior to 2020, corporate bonds were analysed just like loans, for how the issuing corporation could honour their debt.[28] The existence of ETFs creates an incentive for financial institutions to accept corporate bonds, to package up and sell. Nevertheless, there was some focus on fundamentals of the indebted business, because a business can go bankrupt, and the risk profile of a business would affect the bond price. However, with central banks involved, the context changes.

Because central banks are now holding corporate bond ETFs, that means they backstop and 'pump up' this whole class of financial instruments. Such a policy "could even attract new classes of investor who take comfort that the Fed is there beside them."[29] Perhaps that is why, despite the average lifespan of companies listed in Standard & Poor's 500 share index being less than 18 years,[30] companies like Intel have sold a 40-year bond for a billion USD.[31] It is clear then that with central bank involvement, private investors can operate in this sector with more confidence and therefore take more risks. Which brings us to a different kind of bond—namely, 'junk bonds'.

Junk bonds are issued by companies that are financially struggling and have a high risk of defaulting (or not paying their interest payments or repaying the principal to investors). Therefore, they are not something you would want to have play a significant role in the monetary system. Yet by mid-2021 the FT reported that "373 junk-rated companies have borrowed through the nearly $11tn US corporate debt market so far this year, including companies hard hit by the pandemic like American Airlines and cruise operator Carnival. Collectively, the risky cohort has raised $277bn, a record pace and up 60 per cent from year ago levels." That means over a quarter of the corporate bonds in the US are junk.[32]

The third way this policy is damaging is through enabling a further untethering of stock markets and the financial sector from the ‘real economy’. What is more ‘real’ about that part of the economy is that there are businesses making a profit by offering things that people want at prices they can afford. The outlandish earnings for the financial sector increase inequality and drive up asset prices for everyone else. But a more significant issue is this untethering of the financial world from the reality of life itself, upon which the real economy both depends and impacts. As we saw in the last chapter, the growth of the financial sector to many multiples the size of the real economy is evidence of a top-heavy level of unproductive complexity. In saying that, I regard ‘productive’ to mean the real goods and services we use in a tangible way, like food or fashion, rather than financial products. The fact that some people, especially economists and bankers, do not agree with that distinction and regard financial services to be as real as anything else is reflective of the delusion that has arisen due to the ‘money-power’, which we explore in Chapter 10. To take a simple example, it might be that society doesn’t value air travel or airline companies in the same way as before, and so by providing a lot of cheap loans to them, central banks are helping large corporations resist market forces that reflect public sentiment (also known as consumer demand).

The fourth way this scandalous policy is damaging is through hastening an economic collapse by encouraging the monopolisation of markets. When a sector of an economy becomes dominated by just a few companies, or ultimately just one, then everyone other than the owners of that company are less well off. That is because any company with a monopoly position always, throughout history, will pay lower fees to suppliers, charge higher fees to clients and pay lower wages to staff than if there is a more competitive market. Therefore, monopolisation leads to increasing inequalities in society, and further ends some of the ‘get outs’ from the contradictions within capitalism that we looked at in Chapter 1. It is why governments had intervened in the past to prevent monopolies, though often after a lot of damage had been done to economy and society. It is not usual for an agency that is meant to be working towards the public interest to be enabling monopolisation. Yet by supporting the largest corporations with cheap loans to, ostensibly, bridge them over difficult times, they are helping them outcompete against smaller or less-connected competitors. It is a form of anti-competitive influence that promotes market consolidation, because the largest firms remain cash rich during difficult times when their competitors face either shrinking, bankruptcy or becoming liable to takeover. The FT reported in 2021 that “Unlike 2020, when companies rushed to secure capital to outlast the pandemic downturn, this year has seen more opportunistic fundraising with companies looking to lock in low borrowing costs over a longer time horizon or borrow to fund acquisitions and stock buybacks, rewarding shareholders.”[33]

The fifth impact of this new form of monetary issuance is experienced by all of us, especially as consumers. A large injection of money into the corporate sector, ostensibly to maintain their capacity for expenditure on wages and suppliers, despite often declining provision of goods and services during periods of imposed economic lockdown, has an effect at a systemic level. It means that cumulatively many people have money to spend yet there are fewer goods and services to spend that money on. That means prices can increase, especially when fundamentals such as supply of the basics like energy and grains are disrupted, along with logistics, for other reasons. Therefore, one of the main reasons that inflation began increasing in most countries around the world since 2020 was due to massive amounts of corporate bond buying. The unusual inflation of over 5% was occurring in a majority of advanced economies and emerging economies, all around the world, prior to the invasion of Ukraine. As the World Bank's chief economist noted "the most salient feature of today’s inflation is its ubiquity."[34] That implied a globally systemic cause.

The way the monetary policies of a few Western economies produced a global inflationary effect is due to the way currencies interact. One way the inflation in the West is exported

around the world is that the rising availability of Western currencies to purchase internationally traded commodities makes those commodity prices rise, which affects every country that imports them. Another way inflation is exported is through exports of the West becoming more expensive for importing countries (unless there is a devaluation of the Western currencies).[35]

As inflation took off since 2020, financial journalists of mainstream media conveniently forgot that monetary policy determines inflation levels. Instead, they maintained the false narrative that post-lockdown consumption and high fuel prices due to the Russia-Ukraine conflict were the only contributing factors. The problem with blaming the Russian invasion of Ukraine for inflation is that it was high in much of the world over a year before the invasion. Meanwhile, the price of oil was unusually low in 2020 and, on average, not unusually high in 2021. Let's remember that between the end of 2010 and 2014 the price of oil bumped around 100 US dollars a barrel. Yet world inflation fell throughout that period, from around 4.5 percent in 2011 to 2 percent in 2015.[36] The problem with blaming a post-Covid rebound in consumer demand is that global GDP in 2022 was nevertheless lower than what was expected if there had been no disruptions over the previous two years. The problem with blaming climate change for rising food prices is that, despite localised setbacks, overall 2021 was quite good for grain production globally.[37] Future prospects for industrial production of grains for export markets is worrying because of environmental degradation and geopolitics, but that did not affect the prices during 2021 (as we will see in Chapter 6).

The line that the mainstream media took on the causes of inflation meant that they could portray the central bankers as gallant technocrats trying to curb inflation. According to that narrative, through no fault of their own, the heavy-hearted officials would need to make hard decisions about interest rates, making people poorer and driving government public service cuts. We can imagine what might have occurred if the mainstream media more accurately reported that the pandemic had been used as an excuse by the world's leading central banks to help the largest investors and corporations in their countries to acquire international assets in ways that made the majority of people in their countries worse off. It is that explanation to which we now turn.

Neocolonial acquisition during 'peak fiat'

The story that the economy journalists didn't run is that, under the cover of the pandemic, western central banks gave trillions of dollars, pounds and euros directly to large corporations that then used these to help buy up foreign assets, making them richer and the rest of us poorer through inflation. Because the corporations they financed did not need the cash flow to stay afloat, the public explanations given by central bankers for their actions do not make sense. So why did they do it? The timing is suspicious, given that central banks are conservative institutions that calculate possible eventualities before rolling out or ramping up a new mode of financial operation, yet they instigated these schemes immediately at the start of the lockdowns. Mass-buying of corporate bonds was a policy that had to be readied far earlier. That does not mean that they knew a pandemic was coming, or wanted lockdowns, or had anything to do with those events, but that the policy agenda and tools were already ready to go. Their real reasons had to be of paramount strategic significance to them, as it was obvious it would encourage inflation, and thus contravene their official main mandate. It would also distort markets by providing an unfair advantage to the large corporations they favoured and mean abandoning the central banks' own policies on systemic environmental risk, by financing fossil fuel companies. One way to explore why they might have done it is to follow the money. That is, to ask—what did the corporations do with the cash they received from the central banks?

New research reveals that many of the corporations that received the new cash went on a global shopping spree. In 2021 alone, US firms spent $506 billion[38] on foreign mergers and

acquisitions. Their executives knew that the currencies they held would lose relative purchasing power due to the creation of huge new sums of money by central banks, so moved fast. Their global spending spree was unprecedented in history, with Western corporations snapping up real estate and corporations around the world. The policy decisions of central banks correlate with the effect of helping corporate leaders and shareholders compete in a global race to own more foreign assets, at the expense of their citizens who are impoverished through high inflation. This process can be regarded as a neo-colonial dash for both corporate and digital territory around the world.

Why did they do it, knowing the damage it would cause to the standard of living of their own citizens? According to the US National Intelligence Council's Global Trends 2040 report,[39] competition for global influence is rapidly increasing. What better way to influence the world than to own more chunks of its business and land, through your largest corporations? The risks to one's national currency and citizens' standard of living might be considered acceptable to a technocrat as they anticipate the end of a monetary world order. Crucially, the elites in the West know that the era of oil-backed dollar hegemony will be coming to an end in the coming decade, and with it the existing means by which the United States can command resources from around the world. Acquiring as much of the world's resources prior to the likely decline of the US dollar would make sense to them. Beyond that, some central banking experts know that the future of national currencies is not as secure as it once was, due to the way they depend on the expansion of debt at a time when humanity is breaching environmental limits. With that in mind, they would consider the benefit of using the purchasing power of one's currencies, while they still have such power, to acquire assets around the world. That would ensure that there are other means to extract resources from around the world even if currencies like the dollar, euro and pound no longer carry as much purchasing power. It would also increase the power of their favoured international corporations, ahead of the new monetary arrangements, which might be based on either reputational currencies or baskets of tokens that are issued by corporations. It is important to recognise how national governments have typically regarded their largest corporations, whether fully privately owned or not, as both vehicles and rationales for foreign policy.

From this perspective, the corporations from the UK and Europe have been disadvantaged in this neocolonial race due to the Russia-Ukraine war devaluing the pound and euro and hitting the share prices of their major multinationals. But that is a minor concern for such corporations compared to the possible implosion of currencies and banks in the coming years. Senior executives in the private sector know that if financial firms are well prepared, then a collapse of the system can generate outsized and unusual financial rewards to individual financial actors. Some of these financial actors have the power to choose when to collapse a financial system. Therefore, when some of them are sufficiently well prepared, they could choose either to try to collapse the system, or to read certain signals as indication of systemic collapse and make decisions that give it more momentum. Because there is that kind of agency within the hands of people and organisations in these systems, it is not possible to say when the system will collapse. It might even have been scheduled.[40]

Conclusion

Although finance is presented to us as a rigid system with rules we must play by, a closer look at what has happened over the last few years reveals that those rules are entirely flexible when flexibility benefits the elites, and therefore the rules are a veil over class power. Although individual banks and currencies will rapidly decline or collapse in the coming months or years, that does not mean the system of power that organises global finance will be collapsing—not yet. Instead, it is likely that collapses of monetary systems will have been planned in the future by those financial elites that are aware of the end of the era of the oil-backed dollar and/or aware of the implications of an expansionist money system hitting environmental limits and internal contradictions (as explained in Chapter 1).

I believe that the new quantitative easing methods of corporate bond buying from Central Banks during the pandemic will have accelerated the coming fall of the fiat money system. That policy is most logically explained as a tactic within the geopolitics of money, as national security and monetary elites anticipate the demise of existing current currency arrangements. Although some people might consider these policies to be intended to enrich the people who make the decisions—as well as their professional and social circles—it also offers them a strategic hedge against the forthcoming breakdown of monetary systems. That hedge involves the enabling of rapid acquisition of foreign assets to maintain some economic power in a future currency regime—a neocolonial dash.

I realise my conclusion—that these policies were a move by central banks in preparation for the likely demise of existing monetary systems—is unusual within both economic scholarship and journalism. The lack of attention to this process by mass media is, I believe, because they are inherently deferential to the banking elites, while the mainstream economists do not look at monetary systems from an economic justice perspective. In Chapter 7, I explain how the increasing lack of information and dialogue on what is really happening is an aspect of, as well as driver, of societal collapse—one that is not helped by the over-commercialisation of mass media in an internet age. But before that, it will be helpful to witness the growing cracks in the real biophysical foundations of modern societies, upon which all the monetary and economic arrangements sit. To begin with, in Chapter 3, let's look at energy.

The following references will be formatted accordingly for the book.

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[20] A corporate bond ETF is made by a financial institution (FI) creating a fund that people can buy into through an exchange, and so the price of a share in that ETF is publicly known and fluctuates. The money in that fund is used by the FI to purchase the corporate bonds, either directly, or via exchanges established for the purpose of buying and selling those bonds. This bond buying could be done either with active analysis by a team of professionals, or passively, according to an algorithm that processes the trades based on its pre-programmed strategy. ETFs are typically managed passively by algorithms, and some estimated in 2021 that the amount of high-grade US corporate bond trading happening that way had doubled in a year to near 40 percent of all trades (Wigglesworth and Fletcher, 2021).
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however, considered the system to be ethically legitimate or sustainable. A case of “great while it lasts.” The experts working for public institutions, however, were either disinterested in the bigger picture, defended the moderate interventions since the financial crisis, or expressed the perspective that the current situation can’t go on forever.