

Politik, FinTech und die Zukunft des Geldes

John Butler

‘Bankopocalypse Now’



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“Sometimes the dark side overcomes the better angels of our nature.”

Supervisor Of "Massive Fraud" At Wells Fargo Leaves Bank With \$125 Million Bonus



“Wells Fargo told CNN that it had fired 5,300 employees related to the shady behavior over the last few years. The firings represent about 1% of its workforce and took place over several years. **The fired workers went so far as to create phony PIN numbers and fake email addresses to enroll customers in online banking services,** the CFPB said...

“What Wells did not disclose publicly to anyone is that **the head of the group responsible for Wells' biggest consumer fraud scandal in years, is quietly leaving the bank with a \$125 million bonus...**”

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“He’s out there operating without any decent restraint.”

UK heading for new financial crisis ‘on grander scale than 2008’ – *The Independent*, August 2016



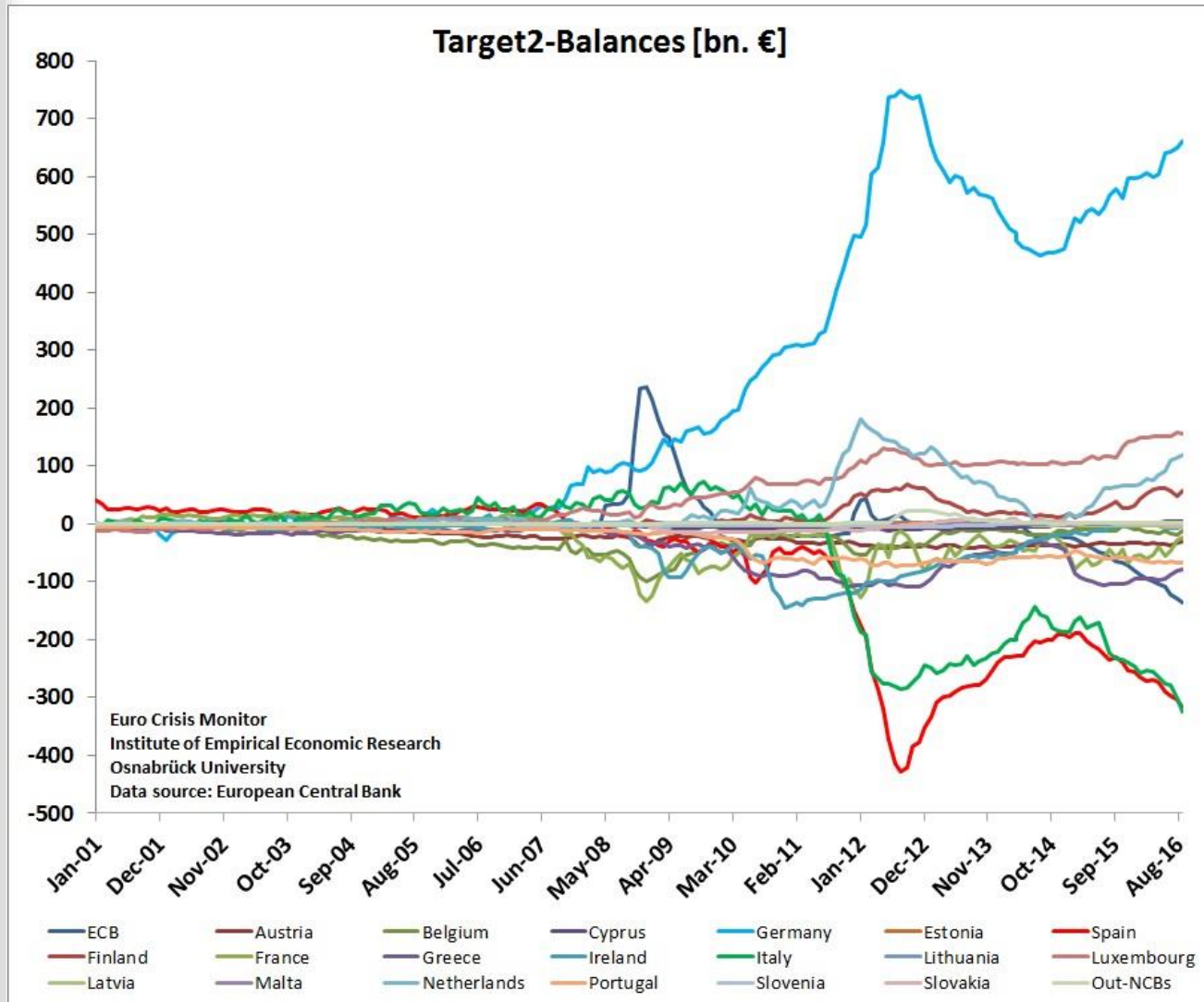
“The purpose of the stress-testing programme should be to highlight the vulnerability of our banking system and the need to rebuild it. Instead, it has achieved the exact opposite, portraying a weak banking system as strong.”

Professor Kevin Dowd warns that the euro banking system is on the precipice of another crisis which will also engulf the UK’s lenders.

“Once contagion spreads from Italy to Germany and then to the UK, we will have a new banking crisis but on a much grander scale than 2007-08.”

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“Something terrible is going to happen.”



“The TARGET2 system created a common pool in the sense that each central bank indirectly gained access to providing money demanded for transactions to other countries. It thus enabled them to extend much more refinancing credit than they otherwise could have done.

TARGET2 is not the only item, but it is one of the critical items that have created imbalances in the Euro-system that appear unsustainable without major reform.”

- Professor Frank Westermann, University of Osnabrueck

“I love the smell of napalm in the morning.”

New Laws Haven't Made Big Banks Safer, Paper by Lawrence Summers Says



“Big Wall Street banks are no safer today than they were before the 2008 financial crisis, despite a raft of new rules aimed at safeguarding the system, according to a new paper co-authored by former Treasury Secretary Lawrence Summers:

“To our surprise, we find that financial market information provides little support for the view that major institutions are significantly safer than they were before the crisis and some support for the notion that risks have actually increased.”

- *The Wall Street Journal*, 15 Sep 2016

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“And one by one, we went insane.”

Central bank liabilities: the monetary base

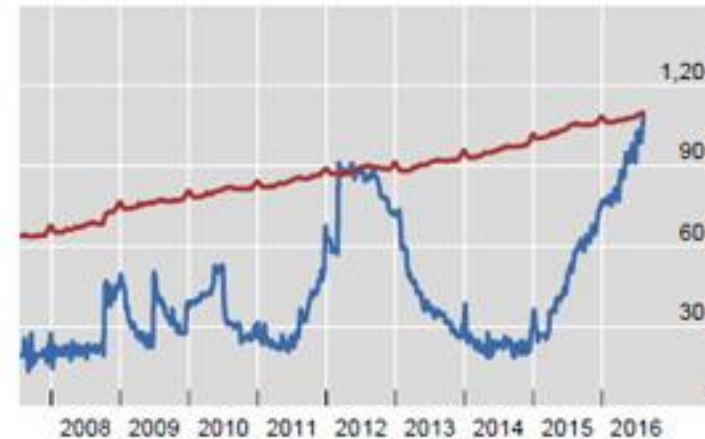
In billions of national currency units (unless otherwise stated)

Graph

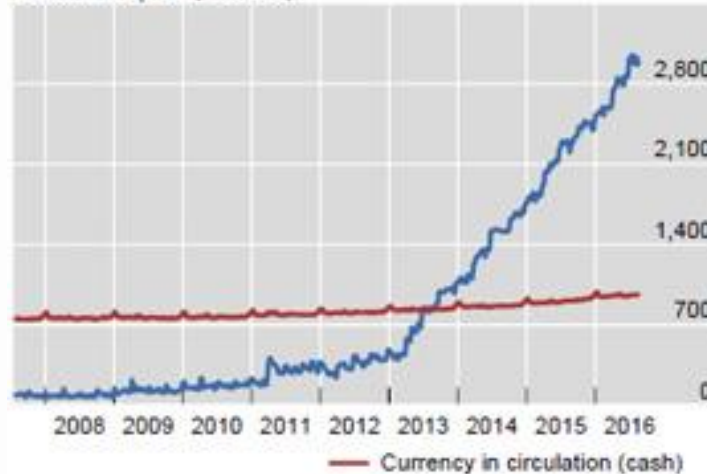
Federal Reserve



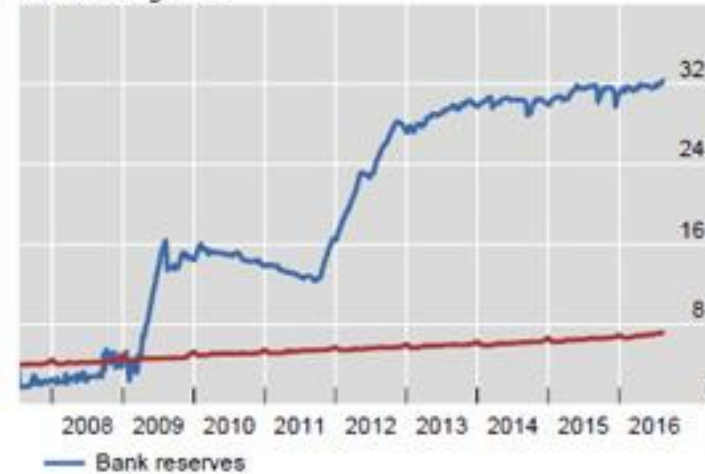
Eurosystem



Bank of Japan (100 bn)



Bank of England



Sources: Datastream; national data.

“Either **helicopter money** results in interest rates permanently at zero, so that control over monetary policy is lost forever, or else it is equivalent to either debt or to tax-financed government deficits, in which case it would not yield the additional boost. Since losing monetary policy control forever is not a feasible option, **helicopter money is just fiscal policy dressed up.**”

- Claudio Borio, Bank for International Settlements, 6 September 2016

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Thoughts from the Godfather of ‘Helicopter money’



“Milton Friedman, a believer in limited government, proposed subordinating the Fed to the Treasury department [as this] would establish accountability for mistakes in policy that otherwise leave each institution free to blame the other for policy errors.

“According to Friedman, even if there were a central bank that had independence ... it would still be independent only if it had no conflict with the government. If there were a conflict, the bank would unquestionably give way to the fiscal authorities. He goes further, stating that even if a fully independent bank could be established, it would not be desirable to do so for political and technical reasons. The political reason is that **in a democracy it would be wrong to place such concentrated power in a group free from any kind of direct political control.**”

- Anna Schwarz, NBER Working Paper, March 2010

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[Monetary] Apocalypse Now



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THE GOLDEN REVOLUTION

HOW TO PREPARE FOR THE
COMING GLOBAL GOLD STANDARD

JOHN BUTLER

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Is GOLD the reserve for a multipolar world?



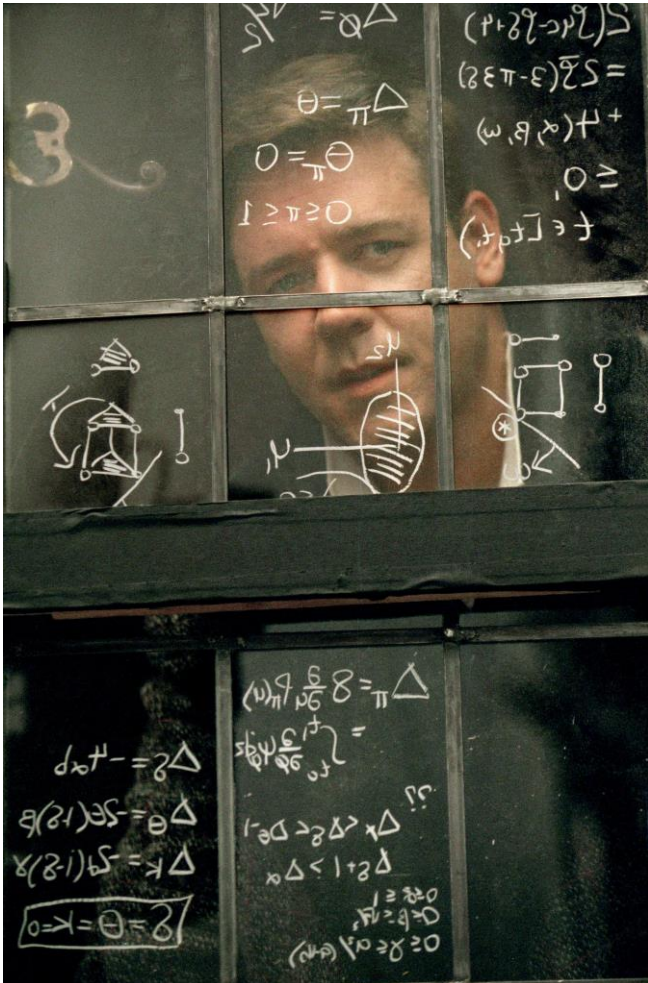
“Could gold make a comeback?”

*“We can look upon the period of the gold standard ... as being a period that was unique in history, when **there was a balance among the powers and no single superpower dominated.**”*

— Nobel Laureate Robert Mundell, 1997

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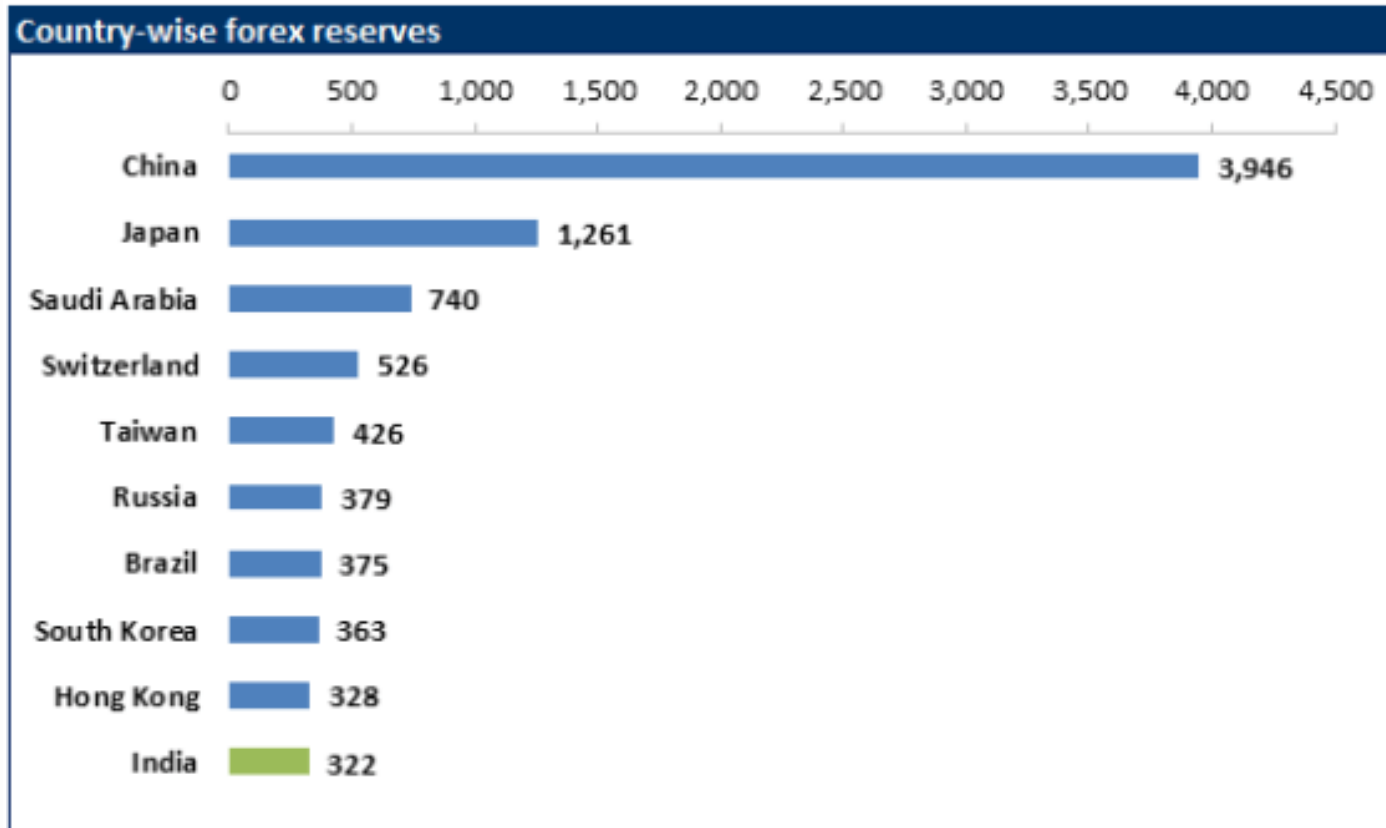
The dollar reserve equilibrium is unstable



*“Stability is crucial in practical applications of Nash equilibria ...
[U]nstable equilibria are very unlikely to arise in practice, since any minute change in the proportions of each strategy seen will lead to a change in strategy and the breakdown of the equilibrium.”*

—Wikipedia article on the Nash EQ

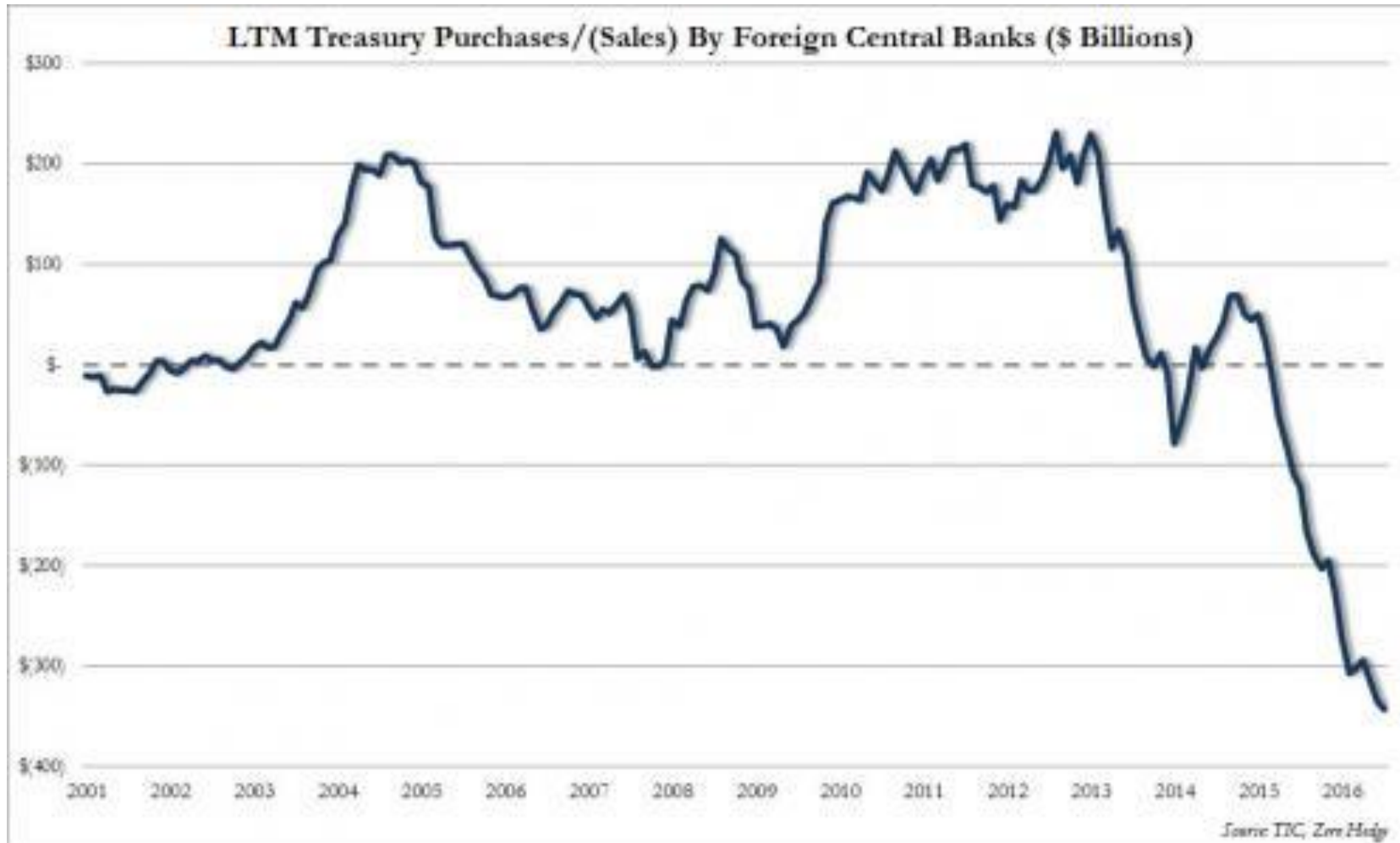
The dollar reserve equilibrium is unstable



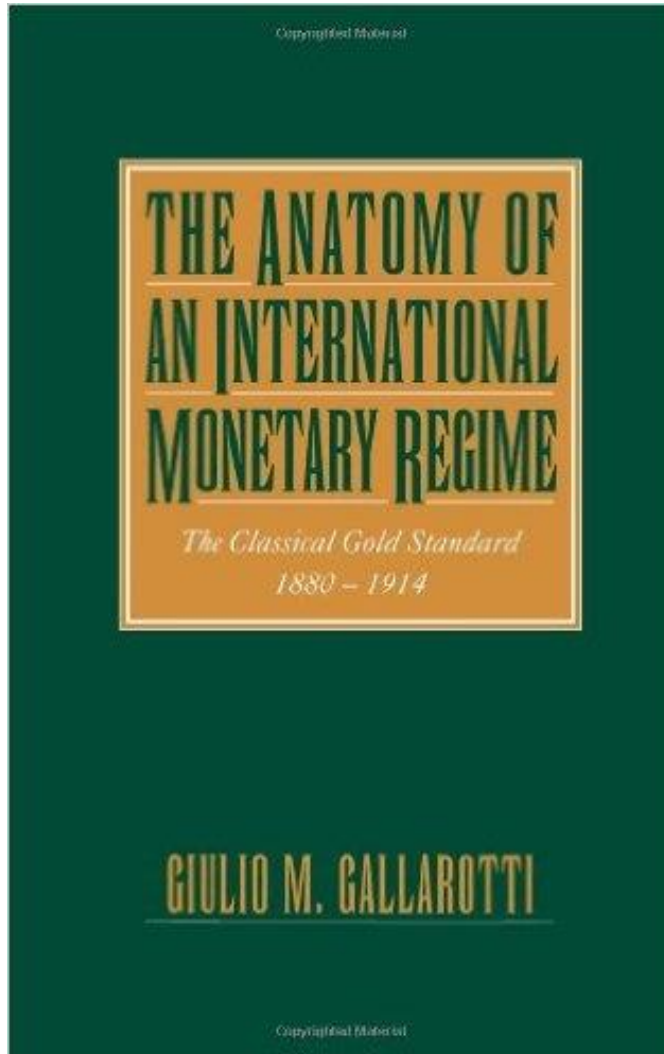
There is now a concentration of dollar reserves in just a few countries. **While there is a ‘first-mover penalty’ for revaluing vs. the dollar, it is dwarfed by the ‘last mover disadvantage’.**

This particular equilibrium is therefore unstable. A single player changing strategy forces all to change, leading to criticality and phase transition.

The dollar reserve equilibrium is unstable



GOLD is the reserve for a multipolar world



*“[T]he gold standard showed very little cooperation among national governments in the process of formal regime building. The rise of the gold standard can be seen more as a case of a regime emerging from the **failure to cooperate**.”*

—Professor Giulio Gallarotti, 1997

Might Putin play his GOLD card?



Russia has accumulated vast gold reserves. These could be mobilised in order to:

- Reduce reliance on dollar financing
- Evade US sanctions
- Bring down interest rates

There is also a geopolitical dimension: **Were Russia to back its bonds or the rouble itself with gold, and demand payment for energy exports in gold, this could place downward pressure on the euro and dollar and possibly cause a financial crisis.**

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Crisis or no, gold can come to the rescue

Gold is the only historically proven money able to retain its purchasing power over long periods of time and independent of any specific government policy or set of policies. In a world of artificially low (or even negative) interest rates, gold naturally re-rates relative to other stores of value eg cash and bonds

GOLD IS NATURAL AND RARE

Gold cannot be created into existence by governments or banks. It is also limited in supply, which only increases following the application of human labour and capital. Hence gold provides an 'energy proof of value' distinct from financial assets generally

GOLD IS UNIVERSAL

As the value of gold is primarily a function of its weight, which does not vary across the globe, it can claim to be a truly universal, international money not requiring any government convention or regulation of its value as it moves from place to place

GOLD IS LIQUID

The gold market is highly liquid as well as global. Large amounts of value can be exchanged in multiple major trading centres and, indeed, in all cities and most towns there is at least one if not multiple physical gold brokers and jewellers.

GOLD HAS NO CREDIT, COUNTERPARTY OR DEVALUATION RISK

To the extent the price of gold is a given based currency (eg USD) is volatile, this is generally due to different factors than those which tend to drive stock and bond prices, as the latter are naturally subject to credit, counterparty and devaluation risk

GOLD ALWAYS WINS

over fiat currencies as a longer-term store of value. Hence any robust investment process should incorporate gold in some way. Fiat currency cash may be liquid, but it does not stack up against gold in its importance for wealth preservation and sustainable capital appreciation



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