Written by **Alex Newman** on June 19, 2014

Central Banks Now Dominate Stock Market, Study Finds

Central banks and government entities around the world are now dominant players in the stock market with some $30 trillion invested in equities and other assets, according to a new survey released this week offering the first comprehensive analysis of public-sector investments. About half of that is from central banks. In other words, monetary authorities, which conjure fiat currency into existence out of thin air, are using much of that "funny money" to gobble up real assets — propping up stock prices but eroding the value of people's savings through inflation of the currency supply. The significance of the findings is monumental.

By far the largest overall central bank-controlled investor is the Communist Chinese dictatorship's "State Administration of Foreign Exchange (SAFE)," which is part of the regime's central bank known as the "People's Bank of China." According to the survey, SAFE has almost $4 trillion under management, including massive stakes in publicly traded European companies. Beyond SAFE, Beijing's central bank has also been directly scooping up minority positions in key European companies and industries. Other Asian central banks are becoming giant players in equities, too.

While the privately owned U.S. Federal Reserve System has apparently been sticking with government bonds and mortgage-backed securities, its own massive role in distorting markets and central planning has been documented extensively by this magazine and countless analysts. Among other radical measures, the U.S. central bank has showered trillions of dollars on crony megabanks around the world. Since the economic crisis, the Fed has also engaged in currency printing on an unprecedented scale, euphemistically referred to as "quantitative easing," or QE. Its balance sheet is now over $4 trillion and still growing.

The shocking data on central banks' activities in the market, released on June 17, came from a survey compiled by the global research and advisory organization known as the Official Monetary and Financial Institutions Forum (OMFIF). The Global Public Investor (GPI) 2014 publication, for the first time, takes a broad look at some $29.1 trillion in investments held by hundreds of public-sector institutions in more than 160 countries. Among those entities are 157 central banks, 156 government pension funds, and almost 90 sovereign-wealth funds.

"In the aftermath of the financial crisis different forms of 'state capitalism' have come to the fore," the report authors said in a statement about their findings, referring to the sort of pseudo-"capitalism" run by the Communist Party regime in Beijing and like-minded governments around the world. "Whether or not this trend is a good thing may be open to question. What is incontestable is that it has happened." In all, the survey suggests public entities now own assets equivalent to about 40 percent of global output — a staggering number suggesting that governments and central banks literally control the supposedly "free" markets.

Commentators, though, said the findings merely confirmed long-held suspicions. "Another conspiracy 'theory' becomes conspiracy 'fact'," observed financial analyst Tyler Durden at the finance-oriented ZeroHedge site, noting that central-banking gimmicks distorting and inflating markets has long been suspected. "To summarize, the global equity market is now one massive Ponzi scheme in which the dumb money are central banks themselves, the same banks who inject the liquidity to begin with…. That said, good luck with 'exiting' the unconventional monetary policy. You'll need it."

According to the GPI, one of the reasons that central banks have been shoveling currency into stock markets is to compensate for the loss of income on bonds brought about by record-low interest rates. Of course, those low rates — one key European Central Bank (ECB) rate even turned negative this month — were set by discredited central-planning committees in those same central banks. Supposedly, the absurdly low rates set by the central planners were supposed to help stimulate an "economic recovery" sparked largely by the wild policies of those same central banks. In reality, they just fleeced humanity, caused massive malinvestment, and prolonged the inevitable day of reckoning.

David Marsh, managing director of the Forum that produced the study, argued that the huge role of supposedly public institutions in the markets was all a surprising but perhaps unintended result of monetary authorities' efforts to keep the economy afloat. "The buildup of central banking interest in equities is one of the unexpected consequences of the last few years' fall in interest rates, which has depressed the returns on central banks' foreign exchange reserves and driven them to find alternative investment targets," he wrote in a column at MarketWatch.

Other central banks with major investments in the stock market included the Swiss National Bank, which has nearly $500 billion under management and about $72 billion in equities. "We are now invested in large-, mid-, and small-cap stocks in developed markets worldwide," SNB chief Thomas Jordan is quoted as saying the report. "The decision to introduce new asset classes should always be taken with the aim of improving the long-term position, and with the awareness that a change should be sustainable, even in more difficult times."

The Danish central bank, meanwhile, holds about $0.5 billion in stocks as it, like the SNB, has sought to keep the value of its currency down amid massive capital inflows seeking a safe haven. The Bank of Japan and Japan's Government Pension Investment Fund (GPIF) each have an estimated $1.3 trillion invested in the markets. Oil-rich Norway's Norges Bank Investment Management (NBIM) has close to a trillion under management, with over 60 percent of that in equities, amounting to an average ownership of 1.3% of every company listed around the world.

"Rather than invest in failing infrastructure, central banks and governments are acting like hedge funds, betting on the stock market and [over-the-counter] OTC derivatives, using fiat credits that are borrowed or printed," explained Stewart Thomson with the *Graceland Updates* newsletter for investors. "The bottom line: While global citizens are told to 'grin and bear' austerity, their leaders are having a 'good 'ole time' spending trillions of dollars, at the stock market casino."

Some critics of the revelations about central banks and public institutions called for more "transparency" in how they were investing. "Reforms are urgently needed to enhance the domestic and international transparency and accountability for this activity — in the interests of a better-functioning world economy," said Peterson Institute for International Economics senior fellow Ted Truman, a former high-level official at the Federal Reserve. "Changes, real or rumored, in the asset or currency composition of foreign exchange reserves have the potential to destabilize exchange rate and financial markets."

The authors of the study, meanwhile, warned that central banks' stock-buying bonanza could lead to "overheated asset prices" and other financial developments with troubling implications. The real problems, though, go far beyond a simple lack of information available to the public or artificially boosted asset prices driven up by central planners with their printing presses and public funds. Indeed, the entire central-banking system is the problem, according to economists with far better track records than central banking officials.

While the latest news was hardly a surprise to analysts tracking the shadowy activities of the central-banking establishment, it confirmed yet again that despite claims made by powerful anti-market zealots, the global economy can hardly be described as anything even resembling a free-market system. Georgetown University historian and Professor Carroll Quigley, who served as President Bill Clinton's mentor, wrote about the schemes now coming to light in his 1966 book *Tragedy And Hope: A History Of The World In Our Time.*

"The powers of financial capitalism had a far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole," wrote Prof. Quigley, a heavyweight academic who was allowed to review documents of the global establishment's top echelon and agreed with the goals but not the secrecy. As the Forum's study shows, that world system they envisioned is quickly coming into view when considering the real ownership of the central banks.

"This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert by secret agreements arrived at in frequent private meetings and conferences," Quigley continued in his massive book. "The apex of the system was to be the Bank for International Settlements in Basel, Switzerland, a private bank owned and controlled by *the world's central banks which were themselves private corporations*." (Emphasis added.)

If humanity hopes to restore liberty, prosperity, national sovereignty, and genuine free markets, urgent action is required. Abolishing central banks, their monopoly over currency and credit, and their interest rate-setting central-planning committees would be a good start. Ending fiat currency is also key, along with the impossible-to-pay interest attached to it. Without honest money, there is no way to have an honest or free economy. As the latest report confirms yet again, though, the central-banking establishment is getting more and more out of control. If it continues unchallenged, the most recent financial crisis may end up looking like a minor speed bump by comparison.

Photo of trading floor of the New York Stock Exchange

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