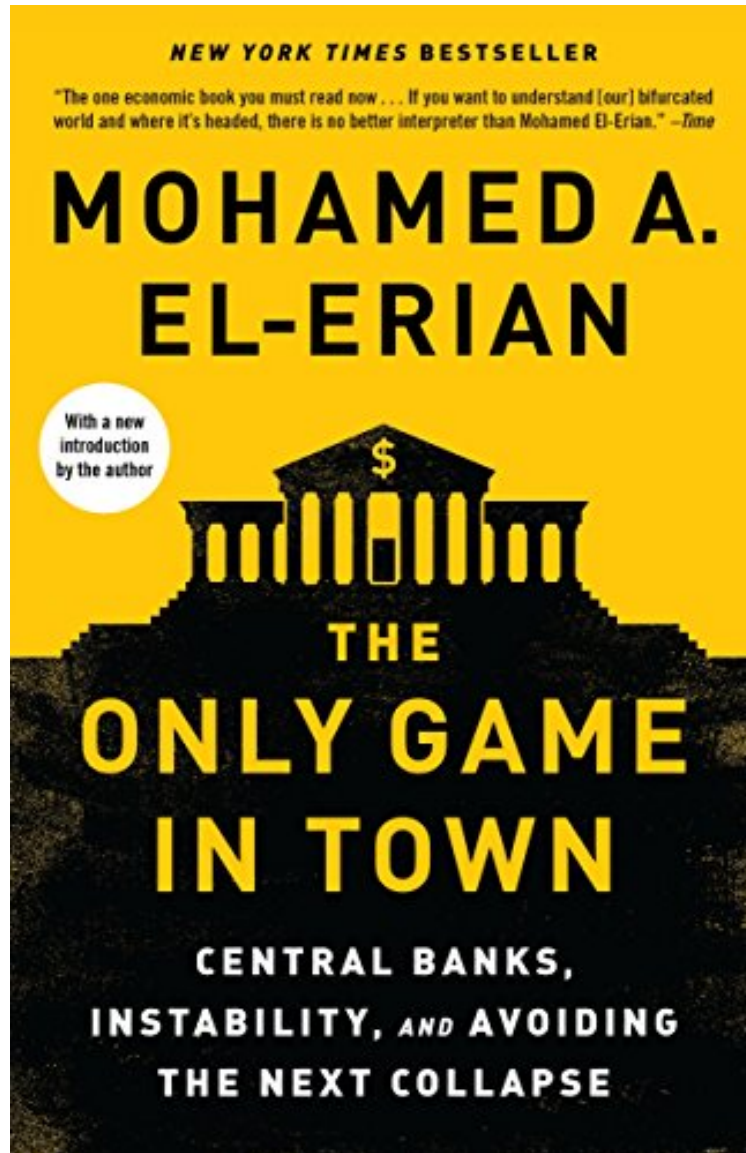


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The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse

Mohamed A. El-Erian

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Mohamed A. El-Erian : The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Only Game in Town: Central Banks, Instability, and Avoiding the Next Collapse:

5 of 5 people found the following review helpful. He does a good job presenting the proximate causes of the financial crisis ...By Victor Bolles Mohamed El-Erian's new book, The Only Game in Town, analyzes the post-Great

Recession financial world where the institutional response is dominated by central bank monetary policy actions. He does a good job presenting the proximate causes of the financial crisis and praises the coordinated reaction of central banks around the world. He further describes how central banks (with a special emphasis on the Federal Reserve Bank) have led the economic policy response to the financial crisis. They have been "the only game in town". But central banks did not strive to become the dominant player in financial markets. They were forced to fill the void created by the lack of policy decision making from other government and international institutions. Mr. El-Erian showed why the Fed had no other choice. Mr. El-Erian proposes that the "new normal" of low economic growth, low inflation and low interest rates (as described by former Treasury Secretary Larry Summers) can continue for an extended period but is ultimately unsustainable. He asserts that we are coming to an inflection point, or T-junction as he calls it, where the global economy will take on a new course, whether by design or circumstances. I agree that we are approaching an inflection point but the T-junction Mr. El-Erian describes is narrowly focused on financial markets whereas I believe the inflection point will be much broader and encompass major changes in society. Mr. El-Erian cites ten big challenges before narrowing the proposed policy foci down to four. But Mr. El-Erian makes no specific policy proposals except for some organizational changes to the structure of the IMF (where he once worked). For someone with Mr. El-Erian's presence on the financial world stage, I was hoping for something more tangible. Instead he seems to digress into recommendations on decision-making techniques that sounded like they were coming from a McKinsey consultant (I kept waiting for the PowerPoint presentation). The decision-making techniques are all good suggestions on how to reach a decision but I was hoping that Mr. El-Erian could throw out some proposals to be considered. Don't get me wrong. This is a very good book by one of the top insiders to global financial circles. It has great analyses of the situation in financial markets and has some great insights. I was just hoping for a bit more.

206 of 228 people found the following review helpful. As Analysis - Desperately Annoying By David Wineberg Central banks are forever fighting today's war with yesterday's weapons. Every recession is different, and central banks have to worry and flail their way back to a smoother ride, because this time is different. We've seen money supply tools come and go, interest rate tools lose their impact and of course, regulation all but disappear. The current tool is QE, necessary because so much of the money supply is beyond the control of the Fed. It will probably prove outmoded next time. The meat of the book is ten short chapters summarizing ten factors that demonstrate how weak our economies are. None of them is news. This is standard fodder for pundits everywhere. Things like unemployment, inequality and so on. Then there are four policy prescriptions, all commonly discussed, and none likely to happen. And that's the problem with the book - nothing new. We already know that everything is out of whack. Stock markets rise on bad news. Company shares improve on layoff announcements. Markets fall with the decrease in the price of oil. The US is at full employment, but 40% of working age Americans have no job. Despite record trading numbers, liquidity is one of the highest risks. Banks trade government bonds rather than lend to business. Corporates see more value buying back their shares than investing in their businesses. The distortions are enormous. And it's the central bank that did this, because its tools are wrong. About 140 pages in, El-Erian finally hits the nail on the head, calling for governments to reject the financial engineering that has opened gaping holes for big finance to exploit, and instead focus on economic growth policies so the markets will respond (more) rationally. But while economists and bankers argue about the significance of cyclical and secular drivers, they're still in little ends vs big ends hell. The view from above is completely different. Until and unless political leaders rein in the bank's ability to create money at will and grow too big to fail, this period will continue. And central bankers will not have tools to do their job. El-Erian spends a great deal of time referring to an upcoming T, where a choice of left or right will be made. The wrong choice could lead to recession or worse. The right choice could lead to more of the same or better. There is nothing special going on here. We all face these decisions continually. We constantly make the wrong choice, and muddle through somehow. The insight here is minimal. A book by Mohamed El-Erian should offer uncommon depth and uncommon insight, if not uncommon proposals. The Only Game In Town is merely common. It is superficial punditry; necessary for some, but disappointing from El-Erian. David Wineberg 7 of 8 people found the following review helpful. Interesting, if a bit ominous, but not helpful in the real world. By Plumb What I liked about it was the clear-sighted recognition that the Fed and other central banks aren't evil and our legislators are the ones renegeing on their responsibility to govern. There were two things I didn't like. One was El-Erian's use of language. For example, he has ten issues to which he devotes a chapter each. Each of these chapters starts with an italicized issue. This would work very well, except each time he uses run-on sentences and superfluous adjectives that actually muddle the issue. I found myself going back and restating the issues in a clearer fashion. Second, he repeatedly says that there are specific things that households should do to prepare for the anticipated "T-junction" and to help influence a positive outcome in it. Unfortunately, he never articulates what these things are. Ending with the vague ideas of optionality, agility, and resilience doesn't help me much. In fact, I'd wager many people reading this book don't use the word "optionality" in their daily lives and would be unclear what actions they'd need to take to implement that concept.

NEW YORK TIMES BESTSELLER • A roadmap to what lies ahead and the decisions we must make

now to stave off the next global economic and financial crisis, from one of the world's most influential economic thinkers and thenbsp;author ofnbsp;When Markets Collidenbsp;bull; With a new introduction by the authorOur current economic path is coming to an end. The signposts are all around us: sluggish growth, rising inequality, stubbornly high pockets of unemployment, and jittery financial markets, to name a few. Soon we will reach a fork in the road: One path leads to renewed growth, prosperity, and financial stability, the other to recession and market disorder.In The Only Game in Town, El-Erian casts his gaze toward the future of the global economy and markets, outlining the choices we face both individually and collectively in an era of economic uncertainty and financial insecurity. Beginning with their response to the 2008 global crisis, El-Erian explains how and why our central banks became the critical policy actorsmdash;and, most important, why they cannot continue in this role alone. They saved the financial system from collapse in 2008 and a multiyear economic depression, but lack the tools to enable a return to high inclusive growth and durable financial stability. The time has come for a policy handoff, from a prolonged period of monetary policy experimentation to a strategy that better targets what ails economies and distorts the financial sectormdash;before we stumble into another crisis. The future, critically, is not predestined. It is up to us to decide where we will go from here as households, investors, companies, and governments. Using a mix of insights from economics, finance, and behavioral science, this book gives us the tools we need to properly understand this turning point, prepare for it, and come out of it stronger. A comprehensive, controversial look at the realities of our global economy and markets, The Only Game in Town is required reading for investors, policymakers, and anyone interested in the future. Praise for The Only Game in Townldquo;The one economic book you must read now . . . If you want to understand [our] bifurcated world and where itrsquo;s headed, there is no better interpreter than Mohamed El-Erian.rdqo;ndash;Timeldquo;A grand tour of the challenges we face, along with ideal solutions and more likely outcomes . . . We desperately need a system in which the central banks are no longer the only game in town.rdqo;mdash;Steven Rattner, The New York Times Book Review ldquo;A must-read from one of the most astute financial analysts of our time.rdqo;mdash;Walter Isaacson, author of Steve Jobs ldquo;El-Erianrsquo;s gift for clarity and his use of compelling examples make important economic issues accessible.rdqo;mdash;Anne-Marie Slaughter, president and CEO, New America ldquo;[A] highly intelligent analysis.rdqo;mdash;Fareed Zakaria, CNN (book of the week)

ldquo;The one economic book you must read now . . . If you want to understand this bifurcated world and where itrsquo;s headed, there is no better interpreter than Mohamed El-Erian. . . . [The Only Game in Town] is an excellent primer. . . . Itrsquo;s also a guide on what to expect as the world struggles to cope with slower, less equal growth and the resulting populism, nationalism and ugly partisan politics that we see in countries from the U.S. to France to China.rdqo;mdash;Timeldquo;How come the global economy is now run largely by unelected central banks? In this highly intelligent analysis, the author, a respected investor and CEO, explains how elected governments are failing in their basic job to take care of the economy and why this might lead to a massive unmanageable crisis.rdqo;mdash;Fareed Zakaria, CNN (book of the week)ldquo;El-Erian expertly offers a balanced view, commending the central banks for their necessarily aggressive policy views while noting, for example, the failure of the Fed to recognize the pre-crisis housing bubble. But title aside, this is hardly just a book about central banks. Instead, El-Erian offers a grand tour of the challenges we face, along with ideal solutions and more likely outcomes. . . . We desperately need a system in which the central banks are no longer the only game in town.rdqo;mdash;Steven Rattner, The New York Times Book ldquo;What better moment could there be for a book subtitled lquo;Central Banks, Instability, and Avoiding the Next Collapsersquo;? And who better to write it than Mohamed El-Erianmdash;the man who captured the essence of the present era of low growth, low inflation and low investment returns better than anyone else with his memorable concept of the lquo;new normalrsquo;? . . . It is refreshing to read a policy book with the confidence to say that it is pointless to dispense elevator-pitch solutions to epochal economic challenges. . . . [A] sobering book.rdqo;mdash;Financial Times nbsp;ldquo;A warning on the Federal Reserversquo;s limits . . . For those who consider Washington politicians incapable of acting effectively, [El-Erianrsquo;s] diagnosis is chilling. . . . Whatrsquo;s vital now, Mr. El-Erian argues, are large-scale investments in the lquo;real economyrsquo; with greater potential to create stable, widely distributed growth. They are measures only a president and Congress can take: improved public infrastructure, enhanced education and job training, an overhaul for a convoluted tax system rife with perverse incentives.rdqo;mdash;The New York Times ldquo;El-Erian uses the bank as a backdrop for discussing the current crossroads he sees in the global economy and the role these institutions could play in shaping the future. . . . This easy-to-read discussion from a well-respected financial industry insider on the current state of the economy and the role of central banks will satisfy anyone who wants to learn about economics or the policy decisions that affect financial stability.rdqo;mdash;Library Journalldquo;Mohamed El-Erian has had an extraordinary career as an investment analyst, investor, and market commentator. His lquo;new normalrsquo; concept was prescient, provocative, and has proven out. Agree or disagree, his go-forward thoughts contained in this bracing book are well worth considering.rdqo;mdash;Lawrence H. Summers, former secretary of the U.S. Treasury ldquo;The Only Game in Town achieves the nearly impossible: It takes complex financial issues and events and makes them both

enlightening and entertaining. It's a must-read for anyone who cares about the global economy and its future, raising critical questions, exploring all the relevant topics, and offering sound policy recommendations. It's a terrific book."—Jack Welch "The Only Game in Town may well be the only book you need to read on how the global financial system works, the serious trouble we may be in, and what to do about it. El-Erian's gift for clarity and his use of compelling examples make important economic issues accessible."—Anne-Marie Slaughter, president and CEO, New America "From the rise of Airbnb and disruptive technologies to worries about Russian foreign policy and turmoil in the Middle East to negative interest rates and the new mediocre, the world is an increasingly confusing place. The job of policymakers is mind-bogglingly hard. Who better than Mohamed El-Erian, with his knowledge of markets, his knowledge of policy, and his brilliant mind, to help organize their (and our) thoughts. The Only Game in Town is a great read."—Olivier Blanchard, senior fellow at the Peterson Institute for International Economics "Today's global economy is beset by low growth and rising inequality. By looking at the tools now being used by the world's major central banks, Mohamed El-Erian shows how we can instead promote inclusive economic growth. This is a must-read from one of the most astute financial analysts of our time."—Walter Isaacson, author of *Steve Jobs* "Widely regarded as one of the most astute observers of global economic trends, Mohamed El-Erian is famous for having coined the now-ubiquitous phrase 'the new normal.' Five years ago, he was worried that the global economy might take years to regain its footing. Now El-Erian worries it could fall off a cliff. The Only Game in Town is simply a must-read for anyone trying to understand how the global economy might unfold in the next five years."—Kenneth Rogoff, Thomas D. Cabot Professor of Public Policy at Harvard University, and former chief economist and director of research at the International Monetary Fund "Mohamed El-Erian knows the global economy as an investor, a public servant, and as an analyst with a rare ability to grasp its essentials. He has an urgent message to convey here: Central banks cannot continue to carry the global economy on their backs for much longer without a high risk of a very bad global outcome. If—as he has often been before—all of us, governments, business, finance, and individuals, need to understand why and how to take evasive action."—Jessica Mathews, former president, Carnegie Endowment for International Peace "This book is a must-read for anyone interested in the global economy. It's a masterful account of how central banks became the only game in town after the global financial crisis but also how other structural and fiscal policies are necessary to resolve key global economic issues. El-Erian is the best thinker on the key global issues of our times."—Nouriel Roubini, chairman, Roubini Global Economics, and professor of economics, Stern School of Business, NYU "In his next book, *The Only Game in Town*, Mohamed El-Erian has done several important things superbly. First, he has presented the first really comprehensive assessment of the multiple challenges to sustainable and inclusive growth facing a wide range of countries and the global economy. Second, he does it through the illuminating lens of central banks and monetary policy—with few exceptions, the only game in town. Third, he then deftly and insightfully dissects the limits and risks of this almost ubiquitous one-handed policy response. And fourth, he argues persuasively that this is a journey we cannot continue; that we will break either right to a much superior level and quality of growth, or left to declining performance and rising instability. He then suggests mind-sets that will help everyone—policymakers, and the rest of us—navigate in this complex and uncharted territory. It is a tour de force."—Michael Spence, Nobel Laureate and professor of economics, Stern School of Business, NYU "Mohamed El-Erian understands markets and economics, and he clearly and coolly articulates the forces that created the current global slowdown and the dangerous fork in the road that the world economy is approaching. The road ahead could lead to a perilous U-turn or more durable, inclusive growth. The good news, as El-Erian convincingly argues, is that policymakers, businesses, and the rest of us still have our collective hands firmly on the wheel, and can steer the economy in a better direction."—Alan Krueger, Bendheim Professor of Economics and Public Affairs, Princeton University "An indispensable guide to understanding the rapid expansion and current role of central banks in the global economy, as well as the challenges and opportunities that they will confront in responding to future economic shocks."—James Poterba, professor of economics, MIT, and president and CEO, National Bureau of Economic Research "The Only Game in Town says it is about central banks, but it really is about so much more: everything from the investment strategy needed in today's macroeconomic environment to the hard choices about taxes and public works that our politicians face to the economics underlying the still relevant 'new normal' (which he coined). El-Erian has an incredibly rich worldview, far greater than the sum of his impressive and diverse experience, and seeing today's world economy through his eyes offers a real education."—Dr. Adam S. Posen, president of the Peterson Institute for International Economics "Illuminating . . . El-Erian charts the changing role of central banks in national economies and the global economy at large. . . . Central banks are experimenting, even making things up as they go along, in order to jump-start economies, for instance, by putting into place negative interest rates and other 'unconventional monetary policies' without any precedent or historical examples to follow. The natural result is instability from above and below."—Kirkus "About the Author Mohamed A. El-Erian is the chair of President Obama's Global

Development Council and chief economic advisor at Allianz, the corporate parent of PIMCO where he was previously the CEO and co-CIO. He is a contributing editor at the Financial Times and a Bloomberg columnist. Earlier in his career, he served as Deputy Director at the International Monetary Fund, Managing Director at Salomon Smith Barney, and president and CEO of the Harvard Management Company. El-Erian was on Foreign Policy's list of Top 100 Global Thinkers for four consecutive years, and named by that journal as one of the 500 most powerful people on the planet. He is regularly on CNN, CNBC, and Bloomberg, and his writings have also appeared in Fortune, The Wall Street Journal, The Washington Post, Business Insider, Newsweek, The Atlantic, Latin Finance, Project Syndicate, and other outlets. El-Erian's last book, *When Markets Collide*, was a New York Times and Wall Street Journal bestseller, won the Financial Times/Goldman Sachs Award for best business book of the year, was named as a best book of the year by The Economist, and was called a best business book of all time by The Independent. El-Erian earned his master's degree and doctorate at Oxford University, having obtained his undergraduate degree at the University of Cambridge, where he holds an honorary fellowship at Queens' College.

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Chapter 1 Setting the Stage

Like ancient doctors, who tried to explain the causes of diseases while knowing nothing about germs or bacteria, academics sought to describe the functioning of developed economies while ignoring the financial sector and the risks it contained.

Ferdinando Giugliano

This is a pivotal moment for the global economy. Our romance with the financial service industry has come crashing down in the midst of loud recriminations. With trust broken and the blame game continuing, it is simply not feasible to restore a close and warm relationship, and any relationship that does survive certainly shouldn't be as intimate and exclusionary as the one that prevailed in the run-up to the 2008 global financial crisis. Yet breaking up is also not an option. The interconnectedness and interdependencies among real economies and the financial system are too deep for them to ever go their own separate ways; and so their interaction is still critical in determining growth, jobs, and financial stability.

Recognizing the importance for both current and future generations of establishing a better working relationship between global economics and global finance, central banks have been working overtime since the global financial crisis to buy time. They have engaged in a series of unprecedented policy initiatives using experimental measures; and taking enormous risks. The stakes are extremely high and, as yet, no specific outcome is preordained; if only because, acting on their own, central banks cannot deliver the needed good outcome involving that important and quite elusive combination of high and inclusive growth, plentiful well-paying jobs, low and stable inflation, and genuine well-anchored financial stability. Governments and politicians need to be more constructively engaged in the endeavor with central banks, and we, as individuals, through our preparedness and actions, also have a lot to do with what eventually transpires in the collective effort to overcome the damage left by the failed romance.

Parts of the global economy are healing and regaining their composure, led by the United States. But others, such as countries in Europe and Japan, continue to languish and are still a ways from decisively turning the corner. Still others, such as Greece and Venezuela, face the imminent risk of awful tipping points. Meanwhile, a less than fully rehabilitated financial sector continues to deliver one anomaly after the other. These are not just confined to obscure technical corners. They are visibly relevant for you; whether you are an investor looking for relatively safe returns on your savings, a small company looking for working capital, or a family looking to reclaim your financial destiny and establish a durable sense of long-term stability and security.

There was a time; and it was not so long ago; when governments would pay you interest income in order to convince you to hold the bonds they issued to finance their spending overages. After all, shouldn't you be compensated for assuming risks for your money? Today a sizable amount of government bonds in Europe is trading at negative nominal yields; that is to say, investors are paying governments for the opportunity to lend them money! There was a time; and, again, it was not so long ago; that banks would compete for your deposits. From free toasters to cash handouts, they were eager to get their hands on your money. It is no longer the case. A growing number of banks in Europe and, now, in the United States actively pursue approaches to discourage deposits.

There was a time when society trusted the banking system's role in channeling loanable funds to productive uses, and society trusted the regulatory and supervisory skills of governments and central banks. This went out the window when banks' irresponsible risk taking, coupled with lax regulation, took the world economy to the edge of a great depression. It will take a long time to restore the trust. In the meantime, alternative platforms, such as Lending Club and Payoff, are springing up and looking to better connect marginalized borrowers and lenders.

And there was a time when the political system celebrated central banks, respecting their technical expertise and trusting them with enormous operational autonomy. This is less so today. On both sides of the Atlantic, there are recurrent political efforts to subject these influential institutions to greater oversight and auditing. All this speaks to a much deeper and more consequential phenomenon. As stable as it may seem on the surface to some, the current configuration of the global economy and the financial system is getting harder to maintain. Below the facade of the unusual calm of the last few years, interrupted by relatively few bouts of instability since 2008-09, tensions are rising and the effectiveness of central banks is coming under stress, so much so as to raise serious questions about the durability of the current path that the global economy is on. This is both good and bad news. It is good news

because it provides a window for us to exit a frustratingly prolonged phase of economic mediocrity and artificially priced financial markets—;one that has been dominated by a global economy that operates well below its potential, thereby holding back job creation, fueling political dysfunction, contributing to geopolitical tensions, and aggravating inequalities. Already there is unusual consensus among economists on the components of a durable solution. Its impact would be turbocharged by exciting innovations and the engagement of lots of cash that is currently sitting on the sidelines or being used defensively. All it takes is for our politicians to step up to their national, regional, and global responsibilities—;by pursuing more comprehensive national policy agendas, by coordinating better regionally, and by improving global policy cooperation; and for the private sector to respond to a more enabling environment, including deploying more of its accumulated cash into productive activities. The bad news is that politicians don't have a great track record of pursuing comprehensive solutions in recent years, and the more the national agendas struggle, the harder it is to coordinate and cooperate across borders. Meanwhile, acting on its own, the private sector as a whole is unable to deliver the decisive breakthroughs needed for economic liftoffs; the pockets of excellence that are delivering transformation benefits are unlikely to have as much impact as they could and should; and some could even be contaminated by the challenging neighborhood. If we fail to pivot to better outcomes we risk losing generations of economic growth. In addition to alarmingly high pockets of youth unemployment, financial instability, and a real sense of insecurity for many, this would reduce the potential for future growth. Political polarization, dysfunction, and gridlock would grow, as would geopolitical tensions, inequalities, and alienation, all of which will affect millions of young and old around the world. The central banking community has worked notably hard trying to tip the balance in favor of the successful outcome. Acting both individually and collaboratively, they have bought time for the private sector to heal and for politicians to get their act together, and this after they acted boldly to help the world avoid what would have been an incredibly damaging multi-year depression. While we should be thankful and praise central banks for their involvement, we must also recognize that their effectiveness is waning, and not surprisingly so, since they could use only the limited instruments available to them. As such, today's global economy is best viewed as traveling toward what the British call a "T junction." That is to say, the current road we are on, one engineered and maintained by hyperactive central banks, will likely end within the next three years, if not earlier, to be replaced by one of two roads that fundamentally contrast in their implications and destinations. One road out of the T junction ahead involves a restoration of high-inclusive growth that creates jobs, reduces the risk of financial instability, and counters excessive inequality. It is a path that also lowers political tensions, eases governance dysfunction, and holds the hope of defusing some of the world's geopolitical threats. The other road is the one of even lower growth, persistently high unemployment, and still worsening inequality. It is a road that involves renewed global financial instability, fuels political extremism, and erodes social cohesion as well as integrity. At this stage, there is about equal probability of these two very different outcomes. But both the public and the private sector have the potential to determine which of these two roads will eventually become our course. And it is only by better understanding this most recent, rather unusual, phase of economic and financial history that we can tip probabilities in favor of the better road out of the T. We can—and must—do everything possible to steer ourselves onto the better road, thereby unleashing the untapped potential of so many people around the world, and, most important, the under- and unemployed youth. Nothing today is more consequential.

Chapter 2 The Only Game in Town

"Sometimes it is the people who no one imagines anything of who do the things that no one can imagine." —;The Imagination Game (film)

In recent years monetary policy has been the rich world's main, and often only, tool to support growth.

The Economist

On a rather pleasant November day in Paris, Christian Noyer, the respected governor of France's central bank, welcomed participants to the Banque de France's International Symposium "Central Banking: The Way Forward?" A who's who of the central banking world was gathered to hear him and to participate in the 2014 edition of this prestigious symposium held at the Westin hotel, substituting for the more ornate Banque de France room, which was being renovated. Sitting in a rather intimate setting were many central bank governors from both advanced and developing countries. Janet Yellen, the chair of the U.S. Federal Reserve, was there along with several of the presidents of the regional Feds. Bank of England governor Mark Carney and Governor Raghuram Rajan of the Indian central bank were also there, as were other governors from Africa, Asia-Pacific, Latin America, and the Middle East. This impressive gathering of officials was joined by leading academics, thought leaders, and commentators on monetary policy. Private sector participants from major financial firms were also there, as were members of the media (though, due to space constraints, most had been seated in the balconies overlooking the nearly overflowing room). Presenting his preview of the day's much-anticipated panels, Governor Noyer verbalized up front what many in the room viewed as both the strength and weakness of modern-day central banking. Acknowledging that "central banks have been considered the only game in town," he wondered whether "the very high expectations placed on them [might] backfire in the future." The participants had no way of knowing that just a few weeks later, the world of central banking would be shaken, and not by the actions of large institutions but rather by the unexpectedly abrupt and surprising behavior of smaller ones whose brands and reputation had been carefully aligned for many years—at least until then—to be synonymous with stability and

predictability. In the span of a few weeks, the Swiss National Bank would suddenly dismantle a key element of its exchange rate system, and do so in what proved to be an incredibly disruptive manner for markets; Singapore would alter its own exchange rate system; and Denmark would declare that it would refrain from issuing any more government bonds. The next few weeks would also witness a market collapse in government yields, including negative levels all the way out to the nine-shy;year point in the German yield curve and the benchmark ten-shy;year bond there trading at just five basis points (that is, 0.05 percent). They would see investors rush to buy many newly issued bonds directly from some European governments, agreeing to pay (rather than receive) interest income for doing so. And they would witness large banks actively discourage depositors from keeping money with them. These were just some of the many unthinkable. Switzerland's negative interest rate structure would surpass that of Germany as the central bank there battled hard to weaken the Swiss franc, long seen as an indisputable currency of strength. Even rates on more "risky" European government securities, such as those issued by Italy and Spain, would reach ultralow record levels, while Greece, another "European peripheral," would face the risk of economic implosion and threaten to default on loan payments to the International Monetary Fund, one of the world's very few "preferred creditors." (Greece did eventually default on those payments for a short period.) Adding to the unthinkables, the Swedish central bank would join Denmark and Switzerland in opting for negative policy interest rates. Commenting on this, one observer noted that there was "no history book to turn to," adding that it was "like learning to drive backwards." The world of modern central banking and global finance was evolving in previously unthinkable ways. It had now entered a new phase of even more obvious artificiality and distortions. And it was doing so in a manner that both fascinated and deeply troubled me. Reflecting my economics training and professional experiences in both the private and public sectors, I had grown to greatly admire central banks and cherish the important way they contribute to economic well-being. I had no doubt about their critical importance in any well-functioning ecosystem, and especially in a market-based economy. Over the years, I had also developed quite a bit of affection for those mysterious and often ill-understood institutions of economic and financial soundness—ones whose skillful management of the price and quantity of money in an economy was key to containing inflation, promoting economic growth, and avoiding financial crises. And I had lots of respect for the very talented technocrats who were devoted to their important jobs there (and often underappreciated for the good they were responsible for). Because of all this, I had become increasingly anxious about the growing policy burden placed on central banks, including the consequences for their future credibility, impact, and reputation. Their operational prospects were becoming more uncertain by the day. Their continued efforts since the global financial crisis to repress market volatility and promulgate a paradigm of "liquidity-assisted growth"—that is, economic growth derived from financial market booms buoyed by exceptional liquidity infusions (rather than fundamental drivers)—was failing to transition fast enough to "genuine growth" and orderly policy normalization. Meanwhile, a growing number of politicians were looking into ways to rein in the operational autonomy of central banks—an autonomy essential to their effectiveness. Ever since the 2008 global financial crisis, central banks had ventured, not by choice but by necessity, ever deeper into the unfamiliar and tricky terrain of "unconventional monetary policies." They floored interest rates, heavily intervened in the functioning of markets, and pursued large-scale programs that outcompeted one another in purchasing securities in the marketplace; to top it all off, they aggressively sought to manipulate investor expectations and portfolio decisions. Because all this was so far away from the norm, neither central banks nor anyone else, for that matter, had tested playbooks and historical precedents to refer to. It was bold policy experimentation in real time, and for an unusually prolonged period of time.