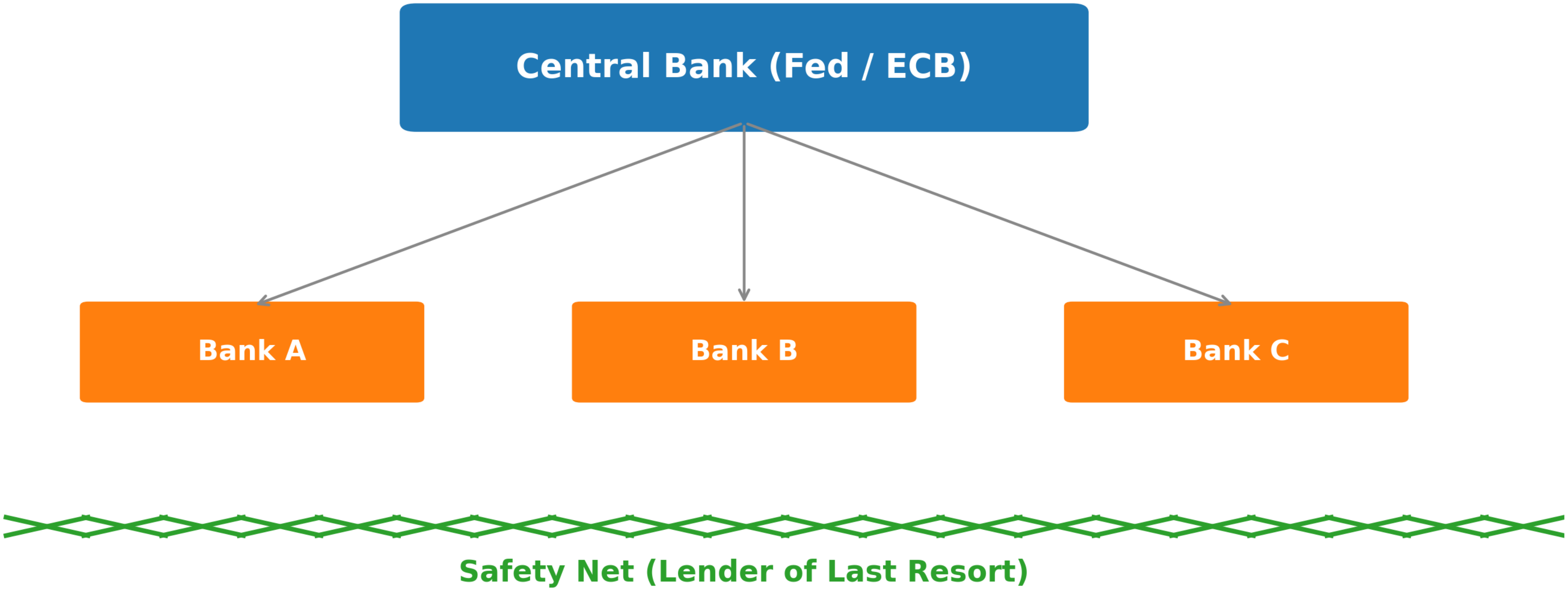
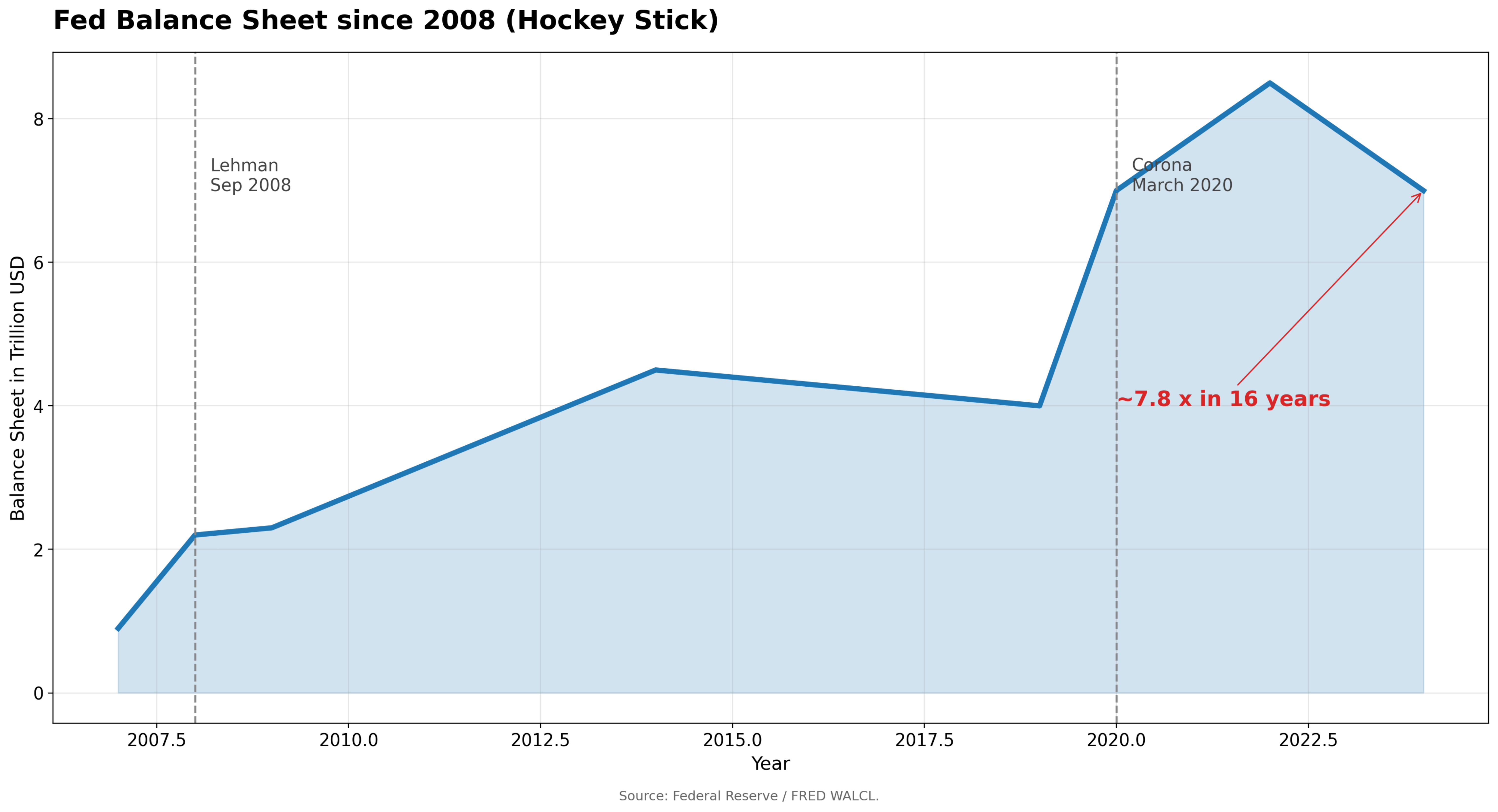
Safety Net: Who saves whom?



When a bank fails, the central bank catches it FROM BELOW.

The net hangs UNDER the banks — not between CB and banks.


Fed Balance Sheet since 2008 (Hockey Stick)
Lehman
Sep 2008
Corona
March 2020
~7.8 x in 16 years
Balance Sheet in Trillion USD
0
2
4
6
8
2007.5
2010.0
2012.5
2015.0
2017.5
2020.0
2022.5
Year
Source: Federal Reserve / FRED WALCL.

QE Mechanics in 4 Steps

1. **Central bank prints money**

and buys government bonds from the bank

2. **Bank receives fresh reserves**

in its account at the central bank

3. **Bank buys assets with reserves**

stocks, real estate, bonds

4. **Asset prices rise**

→ Asset price inflation, NOT value creation

Source: BIS / ECB publications. QE = Quantitative Easing.

Cantillon Effect: Who gets the new money first?

Whoever is closer to the source gains the most.

Source: Richard Cantillon (1734). Today: Lyn Alden, Saifedean Ammous.