On Global corporate control, Federal Reserve, and the Great Theft 2007-2010

By Victor Christianto¹ & Florentin Smarandache²

Abstract

A common intuition among scholars and in the media sees the global economy as being dominated by a handful of powerful transnational corporations (TNCs). However, such an assumption has not been confirmed by numerical data until recently, in a report by Vitali, Glattfelder, and Battiston [1]. They gave a list of 50 most elite TNCs, which were called “super-entity”, along with other 97 TNCs which were not mentioned in their list. This super-entity is supposed to be more powerful than the core, consisting of 1,318 corporations. In this paper we expose for the first time that Vitali et al.’s finding on these super-entity TNCs apparently does not match exactly with recipients of secret funds given by the Federal Reserve Bank of USA (the Fed) during 2007-2010. Therefore, it seems that more investigations are needed on the nature of the financial corporate which received secret funds from the Fed, because those recipients of fund from Fed appear to be more powerful than the 147 super-entity TNCs. Although we give references on several papers which outlined the implications of this finding to global economy, in this paper we give no prescription on how to improve the global economy architecture. We reserve this issue for a future paper.

Introduction

In a series of papers based on network analysis, Vitali, Glattfelder and Battiston [1][2] described their findings of the network of global corporate that controls about 80% of the world profits. Vitali, Glattfelder, and Battiston gave a list of 50 most elite TNCs, which were called ‘super-entity’, along with other 97 TNCs which were not mentioned in their list. This super-entity is supposed to be more powerful than the ‘core’, consisting of 1,318 corporations.

In this paper we expose for the first time that Vitali et al.’s finding on these super-entity TNCs apparently does not match exactly with recipients of secret fund which was given by the Federal Reserve Bank (Fed) during 2007-2010. Therefore, it seems that more investigations are needed on the nature of the financial corporate which received secret fund from the Fed, because those recipients of funds from the Fed appear to be more powerful than the 147 super-entity TNCs discovered by Vitali et al. [1]. Although we give references on several papers which outlined the implications of such a finding from network analysis to global economy [5][6], in this paper we give no

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prescription concerning how to improve the global economy architecture. We reserve that issue for a future paper.

**The Network of Global Corporate control**

Vitali et al. begin their paper with a remark as follows: [1]

“We present the first investigation of the architecture of the international ownership network, along with the computation of the control held by each global player. We find that transnational corporations form a giant bow-tie structure and that a large portion of control flows to a small tightly-knit core of financial institutions. This core can be seen as an economic "super-entity" that raises new important issues both for researchers and policy makers.”

Then they conclude their paper as follows: [1, p.6]

“In contrast, we find that only 737 top holders accumulate 80% of the control over the value of all TNCs (see also the list of the top 50 holders in Tbl. S1 of SI Appendix, Sec. 8.3). This means that network control is much more unequally distributed than wealth. In particular, the top ranked actors hold a control ten times bigger than what could be expected based on their wealth.”

Previously, Glattfelder and Battiston remarked in a separate paper [2, p.20], as follows:

“However, in contrast to such intuition, our main finding is that a local dispersion of control is associated with a global concentration of control and value. This means that only a small elite of shareholders controls a large fraction of the stock market, without ever having been previously systematically reported on. Some authors have suggested such a result by observing that a few big US mutual funds managing personal pension plans have become the biggest owners of corporate America since the 1990s.”

David Wilcock [3] summarizes Vitali et al’s finding about the network of Global Corporate control as follows:

“To review, 80 percent of the world’s profits are being earned by a ‘core’ group of 1,318 corporations. As we look even deeper, we find this ‘core’ is mostly run by a “super-entity” of 147 companies that are totally interlocked. 75 percent of them are financial institutions. The top 20 companies in the “super-entity” include Barclays Bank, JP Morgan Chase & Co., Merrill Lynch, UBS, Bank of New York, Deutsche Bank and Goldman Sachs. The 147-part “super-entity” has controlling interest in the 1318-part “core”, which in turn has controlling interest in 80 percent of the world’s wealth.”
Therefore it appears that 80% of the world’s profit are being earned by a core group of 1,318 TNCs, which in turn these core TNCs are run by a super-entity of 147 companies. The Table S1 of S1 Appendix Sec. 8.3. in Vitali et al’s paper consists of 50 top TNCs which are mostly financial corporate, as follows [1, p.33]:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Country</th>
<th>Sector</th>
<th>Score</th>
</tr>
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<tr>
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<td>US</td>
<td>6713 SCC</td>
<td>13.02</td>
</tr>
<tr>
<td>7</td>
<td>LEGAL &amp; GENERAL GROUP PLC GB</td>
<td>GB</td>
<td>6603 SCC</td>
<td>16.02</td>
</tr>
<tr>
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<td>VANGUARD GROUP, INC., THE US</td>
<td>US</td>
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<td>9</td>
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<td>18.46</td>
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<td>US</td>
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<tr>
<td>16</td>
<td>BANK OF NEW YORK MELLON CORP. US</td>
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<tr>
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<td>18</td>
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<tr>
<td>20</td>
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<td>26</td>
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<td>6512 SCC</td>
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<tr>
<td>27</td>
<td>INVEESCO PLC GB</td>
<td>GB</td>
<td>6523 SCC</td>
<td>30.82</td>
</tr>
<tr>
<td>28</td>
<td>ALLIANZ SE DE</td>
<td>DE</td>
<td>7415 SCC</td>
<td>31.32</td>
</tr>
<tr>
<td>29</td>
<td>TIAA US</td>
<td>US</td>
<td>6601 IN</td>
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<tr>
<td>30</td>
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<td>GB</td>
<td>6601 SCC</td>
<td>32.69</td>
</tr>
<tr>
<td>31</td>
<td>AVIVA PLC GB</td>
<td>GB</td>
<td>6601 SCC</td>
<td>33.14</td>
</tr>
<tr>
<td>32</td>
<td>SCHRODERS PLC GB</td>
<td>GB</td>
<td>6712 SCC</td>
<td>33.57</td>
</tr>
<tr>
<td>33</td>
<td>DODGE &amp; COX US</td>
<td>US</td>
<td>7415 IN</td>
<td>34.00</td>
</tr>
<tr>
<td>34</td>
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<td>US</td>
<td>6712 SCC</td>
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<tr>
<td>35</td>
<td>SUN LIFE FINANCIAL, INC. CA</td>
<td>CA</td>
<td>6601 SCC</td>
<td>34.82</td>
</tr>
<tr>
<td>36</td>
<td>STANDARD LIFE PLC GB</td>
<td>GB</td>
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<td>35.2</td>
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<tr>
<td>37</td>
<td>CNCE FR</td>
<td>FR</td>
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<td>38</td>
<td>NOMURA HOLDINGS, INC. J P</td>
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<tr>
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<td>THE DEPOSITORY TRUST COMPANY US</td>
<td>US</td>
<td>6512 IN</td>
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<td>MASSACHUSETTS MUTUAL LIFE INSUR. US</td>
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</tr>
<tr>
<td>41</td>
<td>ING GROEP N.V.</td>
<td>NL</td>
<td>6603 SCC</td>
<td>36.96</td>
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</table>
Next we will see whether there is connection between the above 50 top TNCs and the recipients of the Fed’s secret funds during 2007-2010.

**The Great Theft by the Fed between 2007-2010**

It is discovered after being audited by GAO, that the Fed secretly gave fund to a very short list of financial corporate both inside USA and from foreign countries, in a spectacular amount, i.e. about $16,000,000,000,000 (sixteen trillions of US dollar). We propose to call that event as the Great Theft, because it is basically a massive theft of US tax payers’ wealth during the financial crisis, when many middle-income families suffered.

According to O’Leary [4, p.13]:

“A partial audit of a limited period of time - the first audit of any kind in its near 100 year history - took place in July 2011 when, as part of the Dodd-Frank reform legislation, the Fed was forced to reveal whom it had lent money to during the financial debacle beginning in late 2007. The audit was carried out by the General Accounting Office (GAO) and is available on-line. To say that its shocking findings have been under-reported by the media is a gross understatement.”

“During the period December 1, 2007 through July 21, 2010 the Fed created sixteen trillion ($16,000,000,000,000) dollars worth of credit (loans) to US banks and corporations and (notwithstanding its supposed jurisdiction as an agency of the United States) to foreign banks. These were secret bailouts engineered to prevent the borrowers from insolvency or bankruptcy; the money was loaned at nearly zero percent (.01%) interest.”

The recipients of the Fed’s secret loan during 2007-2010 are as follows [4, p.14]:

- Citigroup, Inc (Citibank): $2.5 trillion
- *Morgan Stanley: $2.04 trillion
- *Merrill Lynch & Co.: $1.949 trillion
- *Bank of America Corporation: $1.344 trillion
- *Barclays PLC (United Kingdom): $868 billion
- Bear Sterns Companies, Inc.: $853 billion
- *Goldman Sachs Group, Inc.: $814 billion
Royal Bank of Scotland PLC (UK): 541 billion
*JPMorgan Chase: $391 billion
*Deutsche Bank AG (Germany): $354 billion
United Bank of Switzerland AG: $287 billion
*Credit Suisse Group AG (Switzerland): $262 billion
*Lehman Brothers Holdings, Inc. - NYC: $183 billion
Bank of Scotland PLC (UK): $181 billion
*BNP Paribas SA (France): $175 billion
Dexia SA (Belgium): $105 billion
Wachovia Corporation: $142 billion
Dresdner Bank AG (Germany): $123 billion
*Societe Generale SA (France): $124 billion

The asterisks (*) are intended to mark companies which also appear in the list of top 50 TNCs of Vitali et al. [1, p.33].

From the two lists above, we can conclude that there are 11 (eleven) out of 19 (nineteen) recipients of the Fed’s money between 2007-2010, which also appear in the Vitali et al.’s list of top 50 TNCs. Therefore we can also conclude that apparently the Fed is behind almost all of the top 50 TNCs. That is why some people think that the Fed is one of the most powerful private entities all over the world.

Discussion

The owners of the Fed remains mystery, although from history it is known that the Fed was formed after a Jekyll Island meeting.

“The Federal Reserve System was allegedly conceived at a secretive, confidential “duck hunting” Jekyll Island meeting of people related to J. P. Morgan, Kuhn, Loeb & Company, the Rothschilds, the Rockefellers, and the Warburgs.” [7, p.22]

However in recent years, there have been enough leaks to confirm the identities of the key banking families who founded the Federal Reserve [3, p.37]. J. W. McCallister, an oil industry insider with House of Saud connections, wrote in The Grim Reaper that information he acquired from Saudi bankers cited 80% ownership of the New York Federal Reserve Bank- by far the most powerful Fed branch- by just eight families, four of which reside in the US.

- They are the Goldman Sachs, Rockefellers, Lehmans and Kuhn Loeb of New York; the Rothschilds of Paris and London; the Warburgs of Hamburg; the Lazards of Paris; and the Israel Moses Seifs of Rome.

CPA Thomas D. Schauf corroborates McCallister’s claims, adding that ten banks control all twelve Federal Reserve Bank branches.


According to O'Leary [4, p.5]:

“To begin with, the Federal Reserve system is neither Federal nor does hold its own capital as bank "reserves". The Federal Reserve is a private institution owned by private bankers which has no reserves other than what it creates for itself ... out of nothing.”

O'Leary continues [4, p.6]:

“The Federal Reserve Act, passed by Congress just prior to its annual Christmas recess on December 22, 1913, was signed into law the very next day by President Woodrow Wilson. It transferred the right to print currency from the United States sovereign government to a bank which is quasi-federal in form but private in operation. The Fed was created by the powers of international capital, known in the 19th century as The Money Trust, and given a clever but deceptive name which disguises the fact that it is a private money monopoly owned by its member banks but controlled by a handful of super-banks which are conveniently described as “too big to fail”.

Furthermore he writes [4, p.7]:

“The larger the member bank, the more Federal Reserve corporate stock it owns, the greater degree of control it exercises over the Fed’s policies. The major New York banks own a majority share of the Fed. Since Federal Reserve Banks are not governmental agencies, their employees do not fall under Federal Civil Service.”

Now we know that it is possible that the Fed is owned by a handful of very powerful international banks, which also may form the ‘super-entity’ group, as reported by Vitali et al. [1].

O’Leary also explains why the Fed was never audited.

“The secrecy surrounding the operations of the Federal Reserve is phenomenal. Its actions are even more secret than the CIA’s. The Federal Reserve System has never been audited. This bears repetition: the Federal Reserve has never been subject to a full and complete independent audit. No government official has the power to require the Fed to open up its books to public scrutiny. The only power the government has is to modify the Fed’s charter by an act of Congress. Attempts to
legislate a full and complete audit have always been vehemently opposed by the “powers that be.” [4, p.13]

Since money created by the Fed is not backed up by anything except by the US Government and all US citizens, they are called ‘fiat money’. According to Hoppe [8, p.64]:

“Since abolishing the last remnants of the gold commodity money standard, he realizes, inflationary tendencies have dramatically increased on a world-wide scale; the predictability of future price movements has sharply decreased; the market for long-term bonds (such as consols) has been largely wiped out; the number of investment and "hard money" advisors and the resources bound up in such businesses have drastically increased; money market funds and currency futures markets have developed and absorbed significant amounts of real resources which otherwise-without the increased inflation and unpredictability-would not have come into existence at all or at least would never have assumed the same importance that they now have; and finally, it appears that even the direct resource costs devoted to the production of gold accumulated in private hoards as a hedge against inflation have increased.”

In the last analysis, if money is created by the Fed without permission of US Congress, then it can be called as an act of theft.

“In history, sovereigns and states have stolen the wealth of their subordinates and citizens a zillion of times, and they will do so again and again if they consider it necessary. Often monetary policy and instruments effectively amount to more or less obvious ways to plunder the public.”[7]

Now we can conclude that not only 11 out of 19 TNCs are recipients of the Fed’s secret loans between 2007-2010, but they also belong to the top 50 ‘super-entity’ list of Vitali et al.[1]. Therefore we can conclude that they participate in the Great Theft act of the Fed, and the Fed is at the center of this massive fraud of US economy. Now it seems that this discovery demands thorough investigations on the Fed’s part and also on the nineteen recipients of secret loans from the Fed between 2007-2010.

One thing should be kept in mind, that the Fed has become the center of the problem, that is why it will lead to financial crises in the future, especially if the financial integration will be implemented. As concluded by Stiglitz [12], a full financial integration may be not desirable. Stiglitz also writes that the “centralized” lending architecture may be more vulnerable to shocks to the “centers” (illustrated by the global impact of the US credit crisis) [12]. The apparent concentration of massive power in a handful of private financial corporate could mean that the risks are increasing, for instance read a Testimony of Wallace C. Turbeville at May 9, 2012: “A recent research piece by the Dallas Fed provides a window on this process. The study observes that in 1970 the top 5 banks in terms of assets held 17% of aggregate bank assets. By 2010, the top 5 banks held 52% of aggregate assets.”[14] This testimony seems to support the conclusion of Vitali et al. that there is
concentration of massive wealth in the hand of super-entity.[1] Therefore it could mean that the global economy is increasingly exposed to risks of financial crises.

**Concluding remarks**

In accordance with David Wilcock [3] and O’Leary [4], there was the Great Theft event, when the Fed secretly gave funds to US and foreign financial companies, at breathtaking amount of trillions of US dollar.

The fiat money created by the Fed is deeply flawed [7][8][10][11]. Another flaw is the fractional reserve banking (FRB) practice all over the world, which only leads to great business cycles and crises. The fractional reserve banking system is defined as one in which only a fraction of the demand deposits are held in reserve; the remainder is in the form of long term loans, or illiquid assets [10, p.46]. There is a singular group of economists who concede that all FRB systems that have ever existed may have been equivalent to theft [10, p.47].

This problem of FRB has been discussed by many economists especially from Austrian school; see for instance [9], [10] and [11]. The crises in Cyprus can be tracked to this FRB practice (see [13] or the Appendix). If this tendency of FRB practice continues, it only leads to hyperinflation. According to Hoppe [8, p.59]:

“The result would be hyperinflation. No one would accept paper money anymore, and a flight into real values would set in. The monetary economy would break down completely and society would revert back to a primitive, highly inefficient barter economy. Out of barter then, once again a new (most likely a gold) commodity money would emerge (and the note producers once again, so as to gain acceptability for their notes, would begin backing them by this money).”

A number of solutions have been offered by economists in order to find a way out of the many crises and business cycles; to mention a few of them:

- Applying theories of complex systems into economics, especially in order to assist decision makers[6].
- Going back to gold-backed currency, which is perhaps not so realistic; see [7][11]. According to Hoppe [8,p.74]: “Only a system of universal commodity money (gold), competitive banks, and 100 percent reserve deposit banking with a strict functional separation of loan and deposit banking is in accordance with justice, can assure economic stability and represents a genuine answer to the current monetarist fiasco.”
- Going to full-reserve banking, this appears to be quite realistic. For an argument supporting the idea of full-reserve banking, read as follows: “Most recently, in late 2010, two British MP’s, Douglas Carswell and Steven Baker, sought to introduce legislation into the British Parliament that would allow depositors to decide if their money should be lent out and for what period. If this legislative reform were to pass, British depositors would have the option to elect to save their money in full reserve bank accounts. In early 2013, the idea of full reserve banking began to reappear in
mainstream circles, after other “remedies” appeared to fail or only defer the next crisis, but not solve the banking “problem”. Full reserve banking would require banks to retain in reserve all deposits that are legally available for immediate withdrawal, and permit lending only from longer-term deposits.” [11]

Accepting the nature of business cycles and repeated financial crises, as promoted by Svozil [7]. This means that someday there will be a Great Crash as a consequence: “Given these repeated financial crises arising from the fiat monetary system, many monetary reformers predict that there will inevitably be widespread default or hyperinflation or depression - or most likely all three simultaneously in what Ludwig von Mises predicted would be a "final and total catastrophe" of our unsustainable, Ponzi-like, fiat monetary system.”[11].

According to some analysts, there is no solution to the present problems of the world economy; see [11]. This seems to support Svozil’s argument that there is no alternative to present situation of the fiat money and fractional reserve banking: “Thus, for pragmatic reasons, the only remaining alternative appears to be fiat money not directly backed by any commodity... The liquidity supplied to an economy by such a money volume expansion may result in a positive feedback loop of ever increasing production and prosperity. However, by the same negative feedback, it may also result in (hyper-)inflation by the restless production of additional money. For instance, it is a mathematical fact that the compound interest requires excessive (actually exponential) money quantities. In the long run, no such excessive growth of liquidity can be counterbalanced by the traded assets, goods and services.” [7, p.4]

However, this paper is not intended to give a prescription on how to improve the global economy architecture. We leave this issue to a future paper.


References

Appendix:


How Cyprus Exposed The Fundamental Flaw Of Fractional Reserve Banking

Submitted by Tyler Durden on 03/31/2013 18:03 -0400

In the past week much has been written about the emerging distinction between the Cypriot Euro and the currency of the Eurozone proper, even though the two are (or were) identical. The argument goes that all €’s are equal, but those that are found elsewhere than on the doomed island in the eastern Mediterranean are more equal than the Cypriot euros, or something along those lines. This of course, while superficially right, is woefully inaccurate as it misses the core of the problem, which is a distinction between electronic currency and hard, tangible banknotes. Which is why the capital controls imposed in Cyprus do little to limit the distribution and dissemination of electronic payments within the confines of the island (when it comes to payments leaving the island to other jurisdictions it is a different matter entirely), and are focused exclusively at limiting the procurement and allowance of paper banknotes in the hands of Cypriots (hence the limits on ATM and bank branch withdrawals, as well as the hard limit on currency exiting the island).

In other words, what the Cyprus fiasco should have taught those lucky enough to be in a net equity position vis-a-vis wealth (i.e., have cash savings greater than debts) is that suddenly a €100 banknote is worth far more than €100 in the bank, especially if the €100 is over the insured €100,000 limit, and especially in a time of ZIRP when said €100 collects no interest but is certainly an impairable liability if and when the bank goes tits up.

Said otherwise, there is now a very distinct premium to the value of hard cash over electronic cash.

And while this is true for Euros, it is just as true for US Dollars, Mexican Pesos, Iranian Rials and all other currencies in a fiat regime.

Which brings us to the crux of the issue, namely fractional reserve banking, or a system in which one currency unit in hard fiat currency can be redeposited with the bank that created it (as a reminder in a fiat system currency is created at the commercial bank level: as the Fed itself has made quite clear, "The actual process of money creation takes place primarily in banks") to be lent out and re-re-deposited an (un)limited number of times, until there is a literal pyramid of liabilities and obligations lying on top of every dollar, euro, or whatever other currency, is in circulation. The issue is that the bulk of such
obligations are electronic, and in its purest form, a bank run such as that seen in Cyprus, and preempted with the imposition of the first capital controls in the history of the Eurozone, seeks to convert electronic deposits into hard currency.

Alas, as the very name "fractional reserve banking" implies, there is a very big problem with this, and is why every bank run ultimately would end in absolute disaster and the collapse of a fiat regime, hyperinflation, and systemic bank and sovereign defaults, war, and other unpleasantries, if not halted while in process.

Why?

One look at the chart below should be sufficient to explain this rather problematic issue of a broken banking system in which trust is evaporating faster than Ice Cubes in the circle of hell reserved for economist PhD's.