



CHIMERA'S BANE

*demythifying and demythologizing
capitalism with heterodox analysis*

ISSUE 2
DECEMBER 2025

Dear readers,

Thank you for your encouraging response to the first issue of Chimera's Bane. This is the start of a new journey for me and I hope to rally many more readers and friends around this banner. Some of you have been on this journey with me for many years now. I am grateful for your fellowship and I hope you will continue to walk with me. The current issue is a brief on some recent developments in the monetary world which have caught my attention. I hope you will find it interesting, as I am trying to articulate what I believe is a unique, realistic and most of all a human point of view through Chimera's Bane. Wishing you all a happy new year!

Sincerely,

Daniyal Khan

December 31, 2025

MONEY BRIEF

Pakistan's central bank, the State Bank of Pakistan (SBP), announced earlier this month that the monetary policy committee was [reducing the policy rate by half a percentage point](#). A big fuss had been made over this decision on social media and in the press, which is now the norm among central bank watchers. All that excitement over 50 basis points, as if the precision of that number was going to be the hinge upon which the economy's potential upswing was relying.¹ On the day of the decision, [Ali Khizar over at Business Recorder argued](#) against a big reduction in the interest rate and wrote that "[t]he right monetary approach calls for prudence and patience. In Pakistan's fragile recovery, this wisdom rings especially true. Sustaining stability today ensures sustainable growth tomorrow." He managed to include all the right keywords, and he and others holding such a position would not have been disappointed with the decision that came in later in the day.

But [industry leaders were not so impressed](#). As can be seen in comments by industry leaders in the Dawn report, the industry position is better able to recognize that the economy is not getting the breathing room it needs, and that there is a need for a lower interest rate to support competitiveness, operational finance as well as new business. This disconnect is what happens when central banks are really working in the absence of a theory of inflation [as Gillian Tett has written recently in the Financial times](#). And the problem flows over to central bank watchers who tend not to question the established framework for central banking and inflation management, if it can be called a framework at all.



CHIMERA'S BANE

*demystifying and demythologizing
capitalism with heterodox analysis*

ISSUE 2
DECEMBER 2025

The discussion about monetary policy in Pakistan like elsewhere remains narrow. In this country's case it is partly though in my view not entirely because everyone and their grandmother has been brought up on the monetary orthodoxy of international financial institutions and a reverence for the economics textbook. Industry leaders know better and would have preferred, I think, an end to [monetary austerity](#). But one can always rely on the mainstream to go along with orthodox doctrine and some vague notion of prudence, including renewed pledges of fealty to central bank independence, even as financial sector leaders like [JPMorgan CEO Jamie Dimon continue to weigh in on potential candidates](#) for the position of chairman of the US Federal Reserve. Beyond the evident and active influence of the financial sector on central banks, [recent research by Mathias Larsen and James Jackson](#) shows that central bank independence might not be the right model if one cares about action on the climate change (and green transition) front.²

Thus a lot of central banking commentary that I read amounts to the desire that a conservative institution with conservative leadership and employees ought to continue being conservative in its choice of words and policy actions. Should there be even the slightest deviation from whatever is considered safe, there are suddenly loud cries of fear about a revolutionary specter. This is a laughable situation. The central bank is so conservative that it did not even deem it important to publicly acknowledge let alone publicize [a meeting between the SBP governor and chairman of the Pakistan Virtual Assets Regulatory Authority \(PVARA\)](#) which took place on December 18.³ While PVARA was quick to [tweet pictures](#) of the meeting, there was silence from the SBP; no tweet, no press release. The SBP, quite rightly, likely sees both PVARA and its chairman as the new kid on the block yet to earn his stripes.

That is not going to discourage Bilal bin Saqib, under whose leadership PVARA has been busy signing an MOU with Binance and granting [“early approvals to Binance and HTX after reviewing their governance and compliance controls.”](#) Less than a fortnight after that news broke, the [FT published a story](#) about how Binance has not kept its word about oversight, as it “failed to stop hundreds of millions of dollars of cryptocurrency from flowing through suspicious accounts, even after promising to improve its conduct in a landmark \$4.3bn US criminal settlement in 2023.” So Binance is not such a clean slam dunk and the military, actually the ones in charge of policy, will not take any risks. They will not make any moves until they are absolutely sure of the benefits of something and are clear on the risks, and then consider the benefits worth the risk. The PVARA chairman, from their point of view, is really just a kid who has been let loose in a sandbox, and left to play around to see if he can dig up something interesting, or stumble upon an idea that might be appropriated at an appropriate time. That is essentially his brief. If he strays too far, or gets any grand ideas about himself, he'll be out in an instant.



CHIMERA'S BANE

*demystifying and demythologizing
capitalism with heterodox analysis*

ISSUE 2
DECEMBER 2025

To whatever extent there is an interest in the creation of new markets or in this case the availability of new assets for purposes of capital accumulation through speculation, it is really about the hope that tinkering with the monetary system will restore confidence in the economy by creating new economic winners, thereby creating the illusion of change while bypassing old and entrenched problems of political economy and power. Ironically, it might be the military's fixation on organizing the whole economy around a myopic view of national security which might actually, as a completely unintended side-effect, keep any quick moves by overenthusiastic tech bros from taking the monetary system in a direction which blurs the regulatory lines, aids the tech savvy speculator and does nothing for the man on the street.

In other parts of the world, the hasty [gamification of economies continues](#), and it is not deemed enough that just the stock market should be a casino. If it were up to Kalshi co-founder and CEO Tarek Mansour, our collective social goal would be to [“financialize everything and create a tradeable asset out of any difference in opinion.”](#) John Maynard Keynes famously [wrote in *The General Theory*](#) that if “the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.” I wonder now if he would be rolling in his grave or trying to claw his way out.



¹ The last meeting before this December meeting was in October 2025. The [October meeting's minutes](#) have only just now been published at some point after December 15. (The minutes for this month's meetings are yet to be published.) The monetary policy committee had at that time agreed to hold the policy rate as it was. There was however one member who had even then voted for a 50 basis points reduction. The minutes don't say anything at all about the discussion among the committee members, potential disagreements and points of concurrence, and are mostly comprised of information and analysis that the central bank staff shared with the committee members. I imagine this is to give the impression that the monetary policy committee is entirely guided by facts and technical analysis, thus maintaining and protecting the SBP's image as a professional, technocratic and apolitical central bank.

² Although Larsen and Jackson seem to me to not challenge the key premise of central bank independence, that government control over the money supply is necessarily inflationary: “There may indeed be benefits of certain limits on government intervention in monetary policy to avoid inflation and financial instability.” (p. 24-25)

³ To the best of my knowledge, the most recent public comment from the SBP about virtual assets was [a short clarification](#) about the status of virtual assets in the country, namely that they were not illegal, but merely that there was no legal or regulatory framework in place for those assets, which is why the central bank had advised institutions under its regulatory purview to not deal in virtual assets.