

Dear readers,

A belated eid mubarak! The weather during the last days of Ramadan here in Lahore was very pleasant. A bit of a chill returned with regular rain and cloud cover. It has been a more proper spring here in Lahore than we've gotten in many years. I hope you have been well. I am continuing to observe and write though this piece has been excruciating to produce and I don't have much to say, and I don't even know if it matters. I write because that is how I try to make sense. Hopefully I can help others make sense of things as well. So I'm writing for the love of the game regardless of whether I'm able to eke out a living from my writing or not. But maybe I can, though I don't know how.

For those of you who read my work, you have my thanks for your attention to and consideration of my ideas, such as they are. I will try to keep writing. This is how I process whatever is happening in the world. And perhaps if I keep on writing long enough, I might have a body of work to show for my time; perhaps even something that looks like a book. Though I imagine that might take some time. Maybe a few years. I will keep trying, as difficult as I find it to write on some days. Thank you for reading, and thank you for the goodwill you keep sending my way. Its presence does not go unnoticed, and I am grateful for it.

Sincerely,

Daniyal Khan

April 1, 2026

MONEY NOTES

Reptilian brain monetary policy

Monetary policy has been throwing up a bit of a surprise. By the time that the Pakistani government increased fuel prices late on March 6, I was expecting a definite policy rate increase in the March 9 meeting of the SBP's monetary policy committee (MPC). Petrol pumps were [holding back fuel as people rushed to get fuel](#) before the price rise. [Hi-octane fuel prices have now been increased](#) through the levy as well. Alas, the MPC has [decided to hold the policy rate unchanged](#), as only [two MPC members voted for an increase in the rate by half a percentage point](#), and the rest voted to keep it unchanged. I think this is because the MPC is waiting and hoping the war ends soon, and also watching what leading central banks around the world are going to do. There must also be some recognition, if only tacit, that the

central bank is unable to solve a supply side problem with the policy rate. (And yet, central banking honor must be satisfied at the altar of prudence, so one never knows.)

Of course rates were held constant beyond Pakistan as well. The Fed stuck to its guns even as Powell warned that [“higher energy prices will push up overall inflation”](#). So did the European Central Bank, but [Christine Lagarde’s comments](#) suggest that the central bank is trying not to be in too much of a hurry to hike rates. The Bank of England also [didn’t budge](#) (and Karen Ward thinks that it [won’t raise rates all year](#), which I think is highly unlikely). As I alluded above, perhaps some of the lessons of the pandemic and the Russian invasion of Ukraine have seeped in after all, if not completely. It is quite possible that the SBP’s MPC is also waiting and seeing what the Fed and other central banks will do. Maybe the trauma of the Covid-Ukraine one-two punch has taught something after all. As [Dimand and Koehn \(2012\)](#) say, central banks are shaped by their past traumas, so maybe this is central banks learning from the trauma of that one-two punch. But we will see. For now, it might just be that central bankers’ reptilian brain has frozen them in place. Though not all, because [Asian banks are actively defending their currencies](#). In any case, I think it is an interesting question whether central banks are fighting, freezing, or fleeing in the face of the current turmoil, especially as within economics anyway there is far more realization that [“\[i\]nterest rates are not the tool to solve the inflation caused by the US’s war with Iran.”](#)

I do think that underneath the facade of control and professionalism there is a great deal of confusion among central banks and central bankers. This confusion is very well exemplified in a remark by the governor of the Bank of Korea in [an interview](#) with Finance & Development. According to Rhee, “the Bank of Korea must be a leading think tank for Korea as a whole, not just a central bank”. If central banks went the way of think tanks, the Blair Institute is what they’re looking to become. That is, I think, a good indication of what central banks and central bankers aspire to, but also how nefarious they can be, under the garb of poise and competence.

Monetary sovereignty

There have been reports that Iran has charged tolls in the yuan for ships passing through the Strait of Hormuz: [“According to Lloyd’s, at least two vessels that have transited the strait so far have paid a fee in yuan, China’s currency.”](#) This, I think, is a great example of something Ingham describes in *The Nature of Money* (and what I call the Ingham rule): “Monetary space is sovereign space.” Even if the Hormuz toll is not charged in the Chinese yuan, just the charging of the toll is consequential in and of itself. That passage through the Strait of Hormuz has been monetized by force and the credible threat of violence by Iran is significant. It is a reminder that money forms are often if not always *imposed* on geographical



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spaces which are ruled over by some kind of sovereign (or sovereigns sharing sovereignty). In fact, this may well be one of the key principles of what we might call “geo-economics”: the coin is made and circulated under the shadow of the sword.



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