

# The Hollow Core: Systemic Fraud, Sovereign Insolvency, and the Structural Collapse of the Fictional Economy

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## Author's Note

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This paper synthesizes publicly available data with a single anonymized case study drawn from the author's lived experience. All personal identifying details—names, locations, institutional affiliations, and specific dates—have been removed to protect the author's safety and ongoing legal cooperation with federal law enforcement. The structural argument does not depend on these details. The author has documented all claims in a sworn affidavit and submitted complete evidentiary materials to the relevant authorities.

## Abstract

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This paper synthesizes evidence from five interrelated domains—synthetic equity fraud (AMC/GME), the global over-the-counter (OTC) derivatives bubble, COVID-19 stimulus fraud, sovereign insolvency (as reflected in the US Treasury's own balance sheet), and accelerating de-dollarisation—to argue that the contemporary global financial system is not merely fragile but fundamentally *fictional*. No new Bretton Woods agreement exists. No resolution mechanism has been proposed. The system persists only through geopolitical distraction (Iran, Ukraine) and collective belief. The paper concludes that extractive actors have hollowed out the real economy, and the coming collapse will be structural, not cyclical. A case study of a single sovereign witness demonstrates that the same predatory logic operates at the individual scale, and that silence, documentation, and nervous system regulation are the only effective responses.

**Keywords:** sovereign insolvency, derivatives bubble, synthetic equity, de-dollarisation, Bretton Woods III, extraction economy, sovereign witness, fraud, money laundering, FATF grey list, COVID-19 stimulus fraud, too-big-to-fail, regulatory capture, financial fiction, global financial architecture, OTC derivatives, short squeeze, naked short selling, market maker exemption, US Treasury balance sheet, reserve currency status, geopolitical distraction, systemic risk, allostatic load, nervous system regulation, strategic non-reaction

## 1. Introduction

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Following the 2008–2009 global financial crisis, the financial system was deemed “too big to fail” (Bernanke, 2010). Governments printed trillions, bailed out systemically important financial institutions (SIFIs), and declared recovery. Following the 2020–2021 COVID-19 pandemic, the same playbook was deployed at unprecedented scale (IMF, 2021). By 2025–2026, the fiction has become explicit: the US Treasury declares itself insolvent on its own audited balance sheet (US Treasury, 2025); the global OTC derivatives market exceeds \$846 trillion in notional value (BIS, 2025); and the US dollar's share of global foreign exchange reserves falls below 60% for the first time since 1994 (IMF COFER, 2025).

This paper connects these phenomena—synthetic-share fraud in the AMC/GME saga, the unreformed OTC derivatives bubble, the missing COVID-19 stimulus trillions, and the absence of any post-Bretton Woods framework—to demonstrate a single underlying condition: *systemic fictionalization*. The conclusion is stark: major sovereign powers are de facto bankrupt, and no credible resolution mechanism exists.

## 2. Synthetic Equity Fraud: The AMC/GME Short Squeeze as a Diagnostic Event

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The 2021 GameStop (GME) and AMC Entertainment short squeezes were not market anomalies; they were diagnostic events that revealed structural fraud (SEC, 2021). Retail investors discovered that reported short interest exceeded available shares—a mathematical impossibility under legitimate market mechanics. Subsequent lawsuits and whistleblower filings, including a November 2025 complaint alleging that a major cryptocurrency exchange facilitated counterfeit AMC tokens, indicate that market makers and hedge funds created millions of synthetic shares through naked short selling, effectively printing fake stock (SEC whistleblower docket, 2025).

### 2.1 Key Indicators

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Indicator	Value	Source
Melvin Capital bailout (2021)	\$2.75 billion	Public filings
AMC short interest (January 2026)	18.2–20.1% of free float	FINRA / S3 Partners
GME short interest (January 2026)	Elevated, variable	FINRA / S3 Partners
SEC whistleblower allegations	Market maker exemption abuse for counterfeit shares	SEC non-public docket (alleged)

### 2.2 Regulatory Silence as Systemic Feature

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The SEC has not taken public enforcement action against the alleged counterfeit share practices. This regulatory silence mirrors the 2008–2009 pattern, where systemically important institutions received bailouts rather than prosecutions (Johnson & Kwak, 2010). The mechanism is consistent: when a financial position becomes too large to fail, the system prints fictional instruments to hide the loss rather than allowing a corrective collapse (Roubini & Mihm, 2010).

**Subject linkage:** Synthetic equity fraud operates on the same logic as the OTC derivatives bubble—zero-net-supply instruments (naked shorts, swaps, futures) are created ex nihilo to manage risk that should be recognized as loss.

### 3. The OTC Derivatives Bubble: \$846 Trillion in Notional Exposure

By mid-2025, the notional value of outstanding OTC derivatives reached approximately \$846 trillion—over seven times global GDP (BIS, 2025). Interest rate derivatives trading surged 87% in 2025 to \$25 trillion daily (BIS Quarterly Review, December 2025). The Bank for International Settlements (BIS) warned of record hedge fund leverage, including \$1 trillion in cash-futures basis trades and concentrated swap spread positions totaling \$631 billion (BIS, 2025).

#### 3.1 Structural Vulnerabilities

Vulnerability	2008 Pre-Crisis	2025–2026
Hidden leverage	Yes (off-balance-sheet vehicles)	Yes (basis trades, swap spreads)
Concentration	Yes (AIG, Lehman)	Yes (undisclosed counterparties)
Opacity	Yes (CDOs, CDS)	Yes (bilateral OTC, no central clearing)
Regulatory gap	Yes (CFTC, SEC jurisdictional gaps)	Yes (no comprehensive reform)

The IMF’s April 2026 Global Financial Stability Report stated that “global financial stability risks remain elevated,” driven by Middle East conflict and persistent tight financial conditions (IMF, 2026). The BIS Quarterly Review (December 2025) explicitly identified the same vulnerabilities that preceded 2008: hidden leverage, counterparty concentration, and opacity (BIS, 2025).

#### 3.2 Derivatives as Zero-Net-Supply Instruments

Derivatives are contracts whose value derives from underlying assets. They are zero-net-supply instruments: for every long position, there is a corresponding short position. In aggregate, derivatives represent no net wealth—only transfer claims (Bryan & Rafferty, 2006). The \$846 trillion notional figure represents not value but *exposure*. When counterparties fail simultaneously, these claims become unpayable.

**Subject linkage:** The OTC derivatives bubble is the macro-scale analogue of synthetic share creation: both involve the creation of fictional claims that outstrip underlying real assets.

## 4. COVID-19 Stimulus: The \$5 Trillion Disbursement and the Missing Trillion

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The pandemic response accelerated central bank money creation and fiscal disbursement at historical scale. The United States alone disbursed approximately \$5 trillion in stimulus relief through the CARES Act (2020), the Consolidated Appropriations Act (2021), and the American Rescue Plan Act (2021) (GAO, 2021; CRS, 2021).

### 4.1 Estimated Fraud

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Government watchdogs and academic estimates suggest that approximately \$1 trillion was lost to fraud—including fake businesses, stolen identities, and organized criminal networks (GAO, 2023; SSRN, 2024). The Paycheck Protection Program (PPP) and unemployment insurance were fast-tracked with minimal oversight, creating a feeding frenzy for extractive actors (US DOJ, 2023).

### 4.2 Systemic Interpretation

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This was not a bug; it was a feature of a system that prioritizes liquidity over integrity (Tooze, 2021). The missing trillion dollars has been laundered through real estate, cryptocurrencies, and shell companies, further inflating asset bubbles while the real economy stagnates (FATF, 2024; Global Witness, 2023).

**Subject linkage:** The \$1 trillion COVID fraud is the macro-scale analogue of individual asset extraction (warehouse theft, retainer non-performance, land title capture). In both cases, extractors exploit emergency liquidity with no accountability mechanism.

## 5. Sovereign Insolvency: The US Treasury's Own Declaration

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In its Fiscal Year 2025 Financial Report (US Treasury, 2025), the federal government effectively declared itself insolvent under standard accounting principles:

Line Item	Amount (USD)
Total Assets	\$6.06 trillion
Total Liabilities	\$47.78 trillion
<b>Net Position</b>	<b>-\$41.7 trillion</b>

By any standard accounting measure (assets minus liabilities), the United States is bankrupt. The federal government spends approximately 25% of total revenue on debt interest—a figure that will escalate if interest rates rise or debt rollover fails (CBO, 2025; Treasury, 2025). No private corporation could survive such a balance sheet under Generally Accepted

Accounting Principles (GAAP). Only the dollar's reserve currency status and the absence of a global sovereign bankruptcy court keep the system running (Rogoff, 2016; Reinhart & Rogoff, 2009).

## 5.1 The Sovereign Immunity Exception

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Unlike private corporations, sovereigns cannot be forced into bankruptcy. There is no Chapter 11 for nations. This sovereign immunity, combined with the dollar's exorbitant privilege (Eichengreen, 2011), allows the US Treasury to continue issuing debt despite negative net worth—a condition that would trigger immediate receivership for any private entity.

**Subject linkage:** Sovereign insolvency is the macro-scale analogue of individual insolvency following extraction. In both cases, the debtor continues to perform solvency while being technically bankrupt. The difference is scale, not structure.

## 6. De-Dollarisation: The Erosion of Belief

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The dollar's share of global foreign exchange reserves fell from over 70% in 2000 to 56.9% in 2025—the lowest since the IMF began tracking in 1994 (IMF COFER, 2025). Central banks are quietly accumulating gold (price exceeding \$4,000/oz as of April 2026) and diversifying into local-currency settlement schemes, including BRICS and Southeast Asian bilateral arrangements (World Gold Council, 2025; IMF, 2025).

### 6.1 Projected Decline

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The IMF expects another 14 percentage point decline in dollar reserve share by 2026 (IMF, 2025). The mechanism is straightforward: holding dollars means holding a claim on a bankrupt issuer (US Treasury, 2025). When belief in the issuer's solvency erodes, the currency's reserve status erodes with it.

### 6.2 The Role of Belief

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Money is a social construct (Searle, 1995; Graeber, 2011). Fiat currency has no intrinsic value; it derives value from collective belief in the issuing sovereign's ability to tax, enforce legal tender laws, and maintain stability. When belief goes, the entire system tips (Minsky, 1986; Kindleberger, 1978).

**Subject linkage:** De-dollarisation is the macro-scale analogue of an individual ceasing to believe a predator's promises. The sovereign witness who stops performing, stops leaking energy, and stops believing the network's threats has *de-dollarised* their personal economy.

## 7. No New Bretton Woods: The Absence of a Resolution Mechanism

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The 1944 Bretton Woods conference created the International Monetary Fund (IMF), the World Bank, and the dollar-gold peg (Bordo & Eichengreen, 1993). That system ended in 1971 when President Nixon closed the gold window (Gowa, 1983). Since then, there has been no comprehensive replacement.

### 7.1 Bretton Woods III: Theoretical but Not Actual

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Academic and policy discourse has proposed “Bretton Woods III”—a digital, multi-polar, or commodity-backed system (Arslanalp & Eichengreen, 2023; PIIE, 2024). However, no treaty has been signed, no summit has been convened, and no roadmap has been adopted. The concept remains theoretical.

### 7.2 Institutional Obsolescence

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The IMF and World Bank are widely regarded as “outdated, inequitable, and misaligned” with contemporary global challenges (UNCTAD, 2025). There is no mechanism to restructure the estimated \$100+ trillion in global public and private debt, no framework for a post-dollar world, and no political will to create one (UNCTAD, 2025; Stiglitz, 2017).

**Subject linkage:** The absence of a new Bretton Woods is the macro-scale analogue of the individual’s lack of a resolution mechanism. The author has no court, no ombudsman, no arbitrator—only documentation and federal escalation. The same void exists at the global level.

## 8. Geopolitical Distraction: Iran and Ukraine as Systemic Pressure Valves

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Wars serve multiple functions beyond their immediate geopolitical causes. The 2025 Iran-Israel conflict caused Iran’s GDP to contract by an estimated 1.7–2.8%, the Iranian rial to collapse, and domestic attention to focus on external enemies rather than internal extraction (World Bank, 2025; IMF, 2025). The Ukraine war has cost nearly \$94 billion annually (comparable to Vietnam/Afghanistan inflation-adjusted), driving inflation (Ukraine 11.9% in 2025) and diverting capital from social spending (OECD, 2025; World Bank, 2025).

### 8.1 The Distraction Function

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These conflicts are real, with devastating human costs. However, they also function as systemic pressure valves—channeling fear, outrage, and resources outward while the financial core quietly implodes (Chomsky, 2016; Hedges, 2015). The timing (post-COVID stimulus, pre-sovereign debt crisis) is not coincidental.

**Subject linkage:** Geopolitical wars are the macro-scale analogue of the lawyer’s silence. Both serve as distractions, drawing attention away from the hollow core. The author’s strategic non-reaction (documented in SII, 2026) mirrors the sovereign witness’s refusal to be distracted.

## **9. Case Study: Sovereign Witness in an Extractive Network**

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The macro patterns described above—fraud, regulatory silence, impunity, and the absence of accountability—operate identically at the individual scale. This case study documents the experience of a single sovereign witness (the author).

### **9.1 The Seven-Year Extraction**

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From approximately 2015 to 2022, the author was systematically extracted by a transnational criminal network operating in a Southeast Asian country with weak rule of law, pervasive corruption, and a financial system repeatedly cited on the FATF grey list (FATF, 2023, 2024). The extraction took multiple forms: financial fraud, legal threats, passport interdiction (28 days vs. standard 7-day processing), medical abandonment during a life-threatening infection, and a transactional marriage with a person who later stated adherence to destructive spiritual principles while the author embodied stillness and integrity.

### **9.2 The Captured Legal Representative**

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Upon relocating to a regional capital, the author retained legal counsel at a prominent local firm. For over 31 days, the lawyer remained silent—no filings, no updates, no substantive response. The author now understands that the lawyer is a captured node of the network: a professional whose silence is not negligence but strategy. The same logic that governs too-big-to-fail banks applies to too-embedded-to-prosecute lawyers.

### **9.3 The Network’s Silence as Confidence**

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The network does not engage because it has already committed crimes orders of magnitude worse than anything the author could allege. COVID-19 fraud, derivative bubbles, sovereign insolvency—these are the context in which a single lawyer’s malfeasance is a minor infraction. The network’s silence is not weakness; it is confidence born of impunity. They know that courts, bar associations, and regulators are also hollowed out.

### **9.4 The Sovereign Witness Response**

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The author has not collapsed. Instead, he has:

<b>Response</b>	<b>Description</b>
<b>Documentation</b>	Every email, every silence, every node—archived, indexed, timestamped
<b>Publication</b>	Book (several hundred pages) and multiple articles on extractive economies, the energy vampire fallacy, and the two-layer model of corruption (SII, 2026)
<b>Institutional escalation</b>	Complaints to international bodies (World Bank GRS) and federal law enforcement (US Secret Service, which called the submission a “substantial tip”)
<b>Nervous system regulation</b>	Daily protocols including sensory load reduction (high-attenuation earplugs), deep pressure stimulation (weighted blanket), electrical stimulation (TENS), flotation-REST, and co-regulation with a bonded animal companion (SII, 2026)
<b>Hard peace</b>	Indifference to outcomes. No fear of poverty. No energy leakage to predatory individuals.

## 9.5 Parallel to Global Systems

The same dynamics appear at both scales:

<b>Global System</b>	<b>Individual Case</b>
\$846T OTC derivatives bubble	Synthetic shares in retail stock manipulation
\$1T COVID fraud	Extracted retainer (96,300 THB), stolen warehouse inventory (\$100k USD)
US Treasury –\$41.7T net position	Depleted savings, stolen years, hostage cats
De-dollarisation (belief fading)	Author no longer believes the network’s promises
No new Bretton Woods	No resolution mechanism (captured courts, silent lawyers)
Geopolitical wars as distraction	Lawyer’s silence as distraction
Too-big-to-fail banks	Too-embedded-to-prosecute lawyers

## 9.6 What the Network Cannot Survive

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The network can survive a complaint. It cannot survive the erosion of belief. When enough sovereign witnesses stop performing, stop leaking energy, and start documenting, the wall cracks (SII, 2026). The author's stillness, his refusal to react (strategic non-reaction), and his submission of evidence to federal law enforcement are not acts of vengeance. They are acts of coherence—the gravity well that eventually pulls the fictional edifice apart (Humble, 2026).

## 10. Synthesis: The Hollow Core

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All threads converge into a single picture:

Domain	Indicator	Condition
Equities	AMC/GME synthetic shares	Fraud tolerated because too big to fail
Derivatives	\$846T notional	Zero-net-supply bets on bets
COVID stimulus	\$1T lost to fraud	Extraction as policy
Sovereign debt	US net -\$41.7T	De facto bankruptcy
Reserve currency	Dollar share 56.9%	Belief eroding
Global governance	No new Bretton Woods	No resolution mechanism
Geopolitics	Iran, Ukraine wars	Distraction and resource drain
Individual case	Seven-year extraction, legal silence	Same logic, same impunity

The extractors have taken every bit of value out. What remains is a fictional edifice—massive in nominal terms, collapsing in real belief. The system is not fixable through reform because it was built on extraction from the start (SII, 2026; Turchin, 2016). A new Bretton Woods would require a new consensus, a new ethics, and a new distribution of power. None of those are forthcoming (UNCTAD, 2025).

## 11. Conclusion

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The global financial system is de facto bankrupt. The US Treasury's own audited balance sheet proves it. The OTC derivatives bubble, the synthetic-share fraud, the missing COVID-19 trillions, and the accelerating de-dollarisation trend all point in the same direction: the party is over, but no one has turned off the music. Wars in Iran and Ukraine buy time, but they do not buy a solution.

For individuals who have survived extraction—whether in a marriage, a legal system, or a national economy—the lesson is the same: the predator network is fragile. It requires belief, compliance, and opacity. When a sovereign witness refuses to perform, refuses to leak energy, and documents everything, the network begins to crack (SII, 2026). The wall is cracking now. The question is not whether it will fall, but what will be built on the other side.

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## Comments

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