
LONGWAVE GROUP

Ian Gordon Economic Forecaster & Interpreter of the Kondratieff Cycle

Those who cannot remember the past are condemned to repeat it. Santayana

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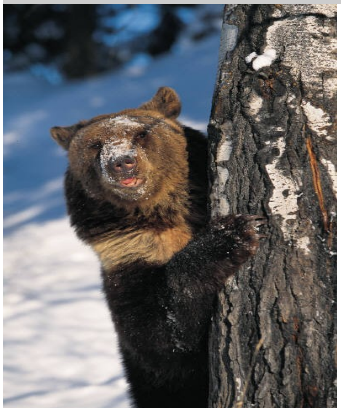
Winter Warning



Having Looked to Government for Bread, on the Very First Scarcity, They Will Turn and Bite the Hand That Fed Them

Embodied within many western democratic societies are political lobbying systems which, if abused, can adversely upset the normal functioning of an economy, driving it into a recession, or even a depression. Surrounding the American system of government, for example, there exists a body of some 42,000 myopic, well remunerated, self-serving registered lobbyists representing special interest groups, who can greatly influence and oftimes, dictate government policy. Indeed, Washington lobbyists represent interests in every corner of America, making huge political contributions on their behalf to the campaign treasure chests of Congressmen and Senators alike, while seeking changes to existing legislation, or the introduction of new legislation, to the favour, or betterment of their employers.

Not surprisingly, the financial services industry is no stranger to the lobbying sector. In a recent report compiled by American nonprofit organizations *Essential Information* and the *Consumer Education Foundation*, during the decade of 1998-2008, the financial sector expended in excess of $5 billion (U.S.) for political influence in Washington, exacting deregulation concessions and other policy decisions which contributed to excessive leverage, rampant greed and the loss of common sense, resulting in the current economic depression. Indeed, the *Center for Responsive Politics* has documented the following 15 investment banks, insurance companies, commercial banks and financial associations which were among the heavy donors:

Goldman Sachs	$30,819,435
Citigroup Inc.	25,745,456
American Bankers Assn.	21,012,116
JP Morgan Chase	20,011,083
Morgan Stanley	17,858,297
Bank of America	15,847,139
Merrill Lynch	14,715,116
Nat. Assn. of Ins. & Fin. Advisors	14,608,405
Credit Suisse Group	11,945,276
American Financial Group	11,128,025
MBNA Corp.	10,106,006
Freddie Mac	9,854,915
American International Group	9,331,239
Prudential Financial	9,156,157
MetLife Inc.	9,069,045

From lobbying the U.S. Congress to repeal the Glass-Steagall Act in 1999, which prohibited the merger of commercial banking and investment banking, to lobbying Congress to prohibit the regulation of hedge funds and derivatives; and from lobbying the Securities and Exchange Commission in 2004 to enable various voluntary regulations for investment banks, to lobbying the SEC from acting to prevent predatory sub-prime mortgage lending; the financial services firms created the theatre for their own implosion. Now we have the ridiculous situation of many of these very same firms, having risked their company's fortunes to the brink of financial collapse through lack of regulation and prudent oversight, appealing for and receiving financial assistance from the U.S. taxpayers. Interestingly, the financial sector had bolstered its political strength by having Wall Street expatriates Robert Rubin and Henry Paulson, both former Chairmen of Goldman Sachs, serving in the post of Treasury Secretary during the decade.

Indeed, investors are left to wonder to what extent financial lobbyists influenced the Federal Reserve Board and U.S. Treasury policy decisions regarding the Troubled Asset Relief Program (TARP) and the Term Asset-Backed Security Loan Facility (TALF), which have both been beset with problems and controversy. Despite campaign vows by President Obama to reduce lobbyist influence in Washington, the practice is so ingrained within the American body politic, that we ought not to naively expect any meaningful change in the lobbying system anytime soon.

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