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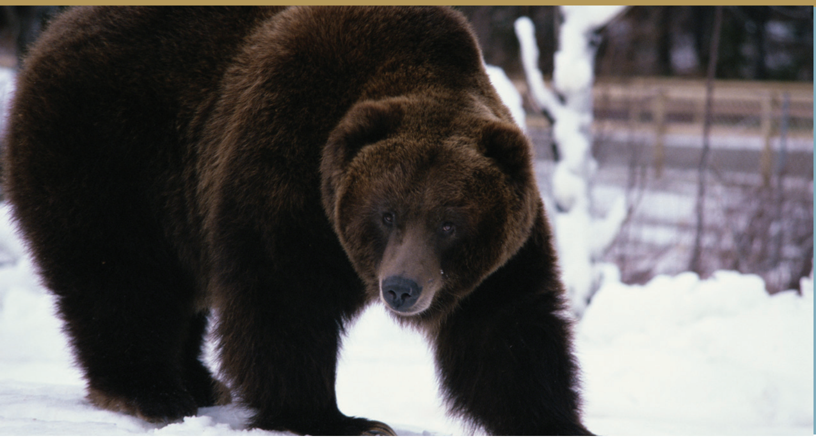
LONGWAVE group

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE

ECONOMIC WINTER



The Pathology of Debt and Erosion of Civil Liberties in America

U.S. Treasurys Will Lose Their 'Safe Haven' Appeal

On August 5th. the credit rating agency Standard & Poors downgraded the sovereign debt of the United States to 'AA' (High) from 'AAA' citing: "The downgrade reflects our opinion that the fiscal consolidation plan, that Congress and the administration recently agreed upon, falls short of what would be necessary to stabilize the government's medium-term debt dynamics. S&P also cites the weakened effectiveness, stability and predictability of U.S. policy making and political institutions, at a time when (fiscal) challenges are mounting." Since that date, the U.S. Federal Reserve has maintained its Federal Funds rate in a range of 0% to 0.25%. Indeed, the Fed has subsequently announced that this administered interest rate will remain in place until at least late in 2014. Meanwhile, U.S. Treasurys have remained fairly stable with the 10-year maturity trading mostly within a 40 basis point yield range straddling 2.00%. Since the fixed income markets have been focusing on the euro zone sovereign credits of Greece, Portugal and Spain, investors have been preserving their capital by accumulating positions in U.S. Treasurys, which they have deemed to be a 'safe haven' certainly, when compared to the weak sisters of the euro zone. Despite the relatively low inflation rate prevalent in western economies at present, the euro zone peripheral sovereigns mentioned above have been subjected to a relentless series of rating downgrades by the rating agencies over the issue of their inherent creditworthiness.

Concurrently, the U.S. national debt has maintained its inexorable climb to new heights and has recently breached the $15.2 trillion (U.S.) level. Obviously, the only saving grace for America whilst burdened with such a ponderous chain of debt is the historically low level of the U.S. Treasury yield curve. Naively, U.S. bond investors and politicians alike, remain riveted to the view that economic growth will eventually solve America's national debt problem. Moreover, investors cannot recognize the vulnerability of the U.S. dollar because of the prominence and visibility of the euro zone sovereign debt problem. Basically, investors can't see the forest for the trees. At Long Wave Analytics, we have oft stated: 'If you are not skeptical, you're likely to be gullible.' Certainly, from the Ottawa-based Bank of Canada to the Paris-based Organization of Economic Cooperation and Development (OECD), downward revisions in the gross domestic product (GDP) outlook for advanced economies is becoming increasingly more frequent. Moreover, now that the Congressional 'Super Committee' has admitted failure to enact a plan which would cut $1.2 trillion (U.S.) from the deficit over the next decade, automatic spending cuts will commence in January 2013. U.S. President Obama has vowed to veto any attempt to undo those scheduled spending cuts, which include the expiration of the Bush tax cuts.

Democrats oppose reductions in entitlement programs such as Medicare and Social Security – as sought by Republicans – unless Republicans agree to larger increases in tax revenue. As was the case during last summer's statutory debt ceiling debate, political gridlock remains very much alive in Washington. With respect to deficit reduction, the entire 2012 calendar year could be wasted in America as the national debt grinds its way to the $16.4 trillion (U.S.) level, which can never be repaid. This is why once the euro fiasco fades, speculators and rating agencies will begin to focus on the massive U.S. national debt. Indeed, the U.S. Department of the Treasury reports the federal government is expected to arrive within $100 billion (U.S.) of the $15.2 trillion (U.S.) statutory debt limit very soon, which has led to a request for a $1.2 trillion (U.S.) increase by President Obama, which would likely carry the government beyond the general elections in November. The euro zone countries notwithstanding, at some stage the fixed income markets will deem U.S. Treasurys not quite the 'safe haven' as was previously perceived because doubts will arise regarding the ability of the United States to service its debt. Once that unraveling process unfolds with a vengeance, manifested by sovereign debt credit rating downgrades and higher interest rates, it will mark the beginning of the end of the dollar as the world's reserve currency, culminating in an economic depression and currency rollback. Interestingly, it is valid comparison to the early 1930s to reflect upon the contagion of the bankruptcy of Austria and then Germany, culminating in Britain and the United States being forced off the gold exchange standard. Today, the U.S. dollar is the pound sterling of the 1930s.

The Taxpayer Protection Pledge: Grover Norquist's Hold on the GOP

Grover Norquist is President of Americans for Tax Reform (ATR), a taxpayer advocacy group he founded in 1985 at the behest of President Reagan. According to its website, ATR is a coalition of taxpayer groups, individuals and businesses opposed to higher taxes at the federal, state and local levels. ATR organizes the Taxpayer Protection Pledge, which asks all candidates for federal and state office to commit themselves in writing to oppose all tax increases. In the 112th. Congress, 238 House members and 41 Senators have taken the pledge. On the state level, 13 governors and 1,249 state legislators have taken the pledge. Norquist chairs the Washington, D.C.- based "Wednesday Meeting," a weekly gathering of more than 150 elected officials, political activists and movement leaders. The meeting commenced in 1993and takes place in ATR's conference room. There are now 61 similar "center-right" meetings held in 47 states.

As a result, Grover Norquist has been one of the most effective and powerful lobbyists in Washington for three decades. He has transformed a single issue –preventing U.S. tax hikes – into one of the key platforms of the American Republican Party. As correspondent Steve Kroft reports in a recent interview for CBS 60 Minutes, Norquist's biggest coup was getting 279 members of Congress and nearly all of the 2012 Republican Presidential primary candidates, to sign a pledge promising never to vote to raise taxes. Some opponents, including former Senator Alan Simpson, Co-chairman of the National Commission on Fiscal Responsibility, believe the Taxpayer Protection Pledge is hindering a solution to America's debt crisis. Noting the deepening sovereign debt problems in Europe, Senator Simpson recently remarked: "This next year of 2012 is going to be chaos, absolute chaos!" Senate Budget committee Chairman Kent Conrad (D-N.D.), a leading force behind the fiscal commission recently commented that "the American people still don't believe we need to make hard choices."

According to the Washington Post, "The portion of the (national) debt held by outside investors stands at nearly 70% of the economy; more than at any time in U.S. history, except during World War II … the (national) debt is projected to grow ever larger as the baby-boom generation moves on to Social Security and Medicare. Analysts predict that investors could soon lose faith in Washington, potentially sparking the sort of debt crisis that is (currently) stalking Europe."

Kroft: "Grover Norquist is not interested in compromise. He likes things ugly and takes no prisoners. Those who refuse to sign the pledge or backslide are subjected to primary fights against well-funded opponents, backed by Norquist."

Norquist: Pointing to a picture: "These are people in North Carolina who voted for a tax increase when they said they wouldn't. Over here in blue are the ones who were defeated in the next election."

Kroft: "Well, is there any set of circumstances in which you would condone a tax increase, or release people from their pledge?"

Norquist: "The pledge is not to me. It's to the voters. So, an elected official who says, 'I think I want to break my pledge:' he doesn't look at me and say that. He looks at his voters and says that. That's why some of them look at their voters and don't want to say that, then they go: 'Well, how about you? Could you release me from my pledge?' No, no. I can't help you."

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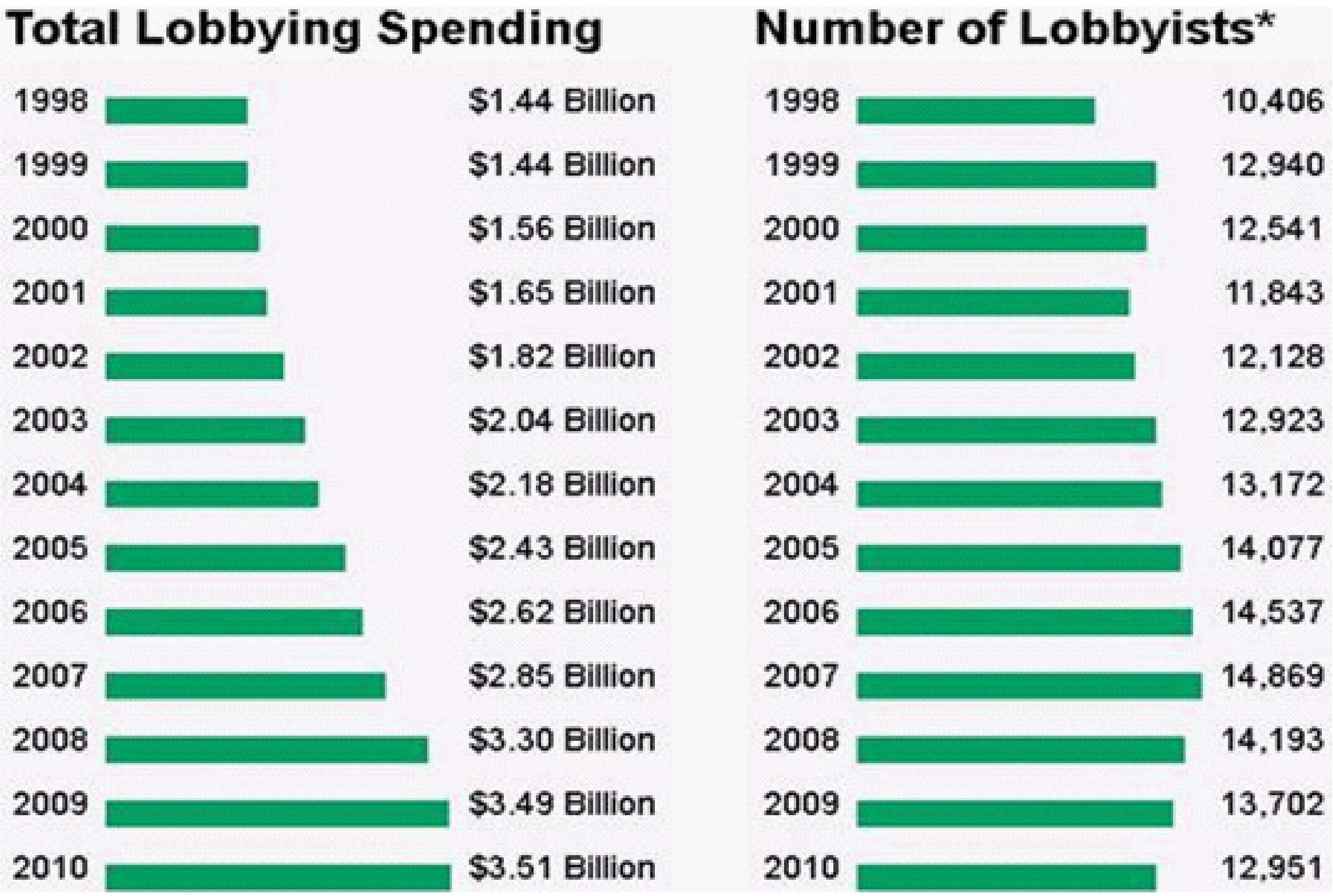
Lobbyists Spend Record Sums to Influence Washington

In a recent study, the nonpartisan Centre for Responsive Politics (CRP) reported that for every day Congress was in session during 2011, lobbyists spent an average of $17 million (U.S.) currying favour with legislators and federal officials. Corporations, labour unions, governments and other interest groups spent a record-setting 3.79 billion (U.S.) last year in hopes of influencing policy. CRP Executive Director Sheila Krumholz commented: “At a time when our economy is contracting, Washington’s lobbying industry has been expanding. Lobbying seems to be a recession-proof industry. In some respects, interest groups seek even more from our government when the economy slows.” Drug and health-care product makers together with the securities and investment industry, insurance and real estate sectors of the economy topped the ranking of specific industries for lobbying services. Other major lobbing spenders included the energy, communications and defence contractor industries. In calculating spending levels, the CRP acknowledged it used the narrow definition of lobbying provided by the lobbying Disclosure Act of 1995: ‘Spending by corporations, industry groups, unions, and other interests which are not strictly for lobbying of covered government officials, but is still meant to influence public policy, is not reported and may exceed what was spent on direct lobbying. Such activities include public relations, advertising and grassroots lobbying.’ CRP spokesman Massie Ritsch elaborated: “While it’s difficult to quantify the return on this investment in lobbying for or against legislation, where lobbying for government contracts is concerned, the returns are astronomical. Multi-million dollar contracts are awarded for $100,000 worth of lobbying.”



Source: Le Metropole Cafe

Interestingly, for one, Republican presidential candidate Newt Gingrich is a signatory to the Taxpayer Protection Pledge, as is House Speaker John Boehner. Indeed, there is something fundamentally flawed and intrinsically sad in the American body politic that would enable a Washington lobbyist to become so powerful. Obviously, with monies now being spent annually in Washington in excess of $3.5 billion (U.S.), the American lobbyist system is out of control. On the subject of tax increases, Republicans need to be rescued from themselves, as well as from Grover Norquist, or prepare to bear witness to the United States of America drowning in an ocean of debt.

So, what does this lobbying system mean in a practical sense for a financial services company such as Goldman Sachs, about whom we have written several times? Goldman's underwriting and marketing record of subprime mortgage products over the years, wherein the company knew such securities were well overrated by the rating agencies, but sold them to clients anyway, was embellished by establishing proprietary trading short positions against various mortgage-backed issues. Clearly, such behavior was dishonest, let alone immoral, so why haven't any Goldman executives been investigated and prosecuted by the Securities and Exchange Commission? The answer is because Goldman is a part owner of the U.S. Federal Reserve and as such enjoys a favoured and protected status.

A Reversal of Economic Orthodoxy

In a recent issue of the Privateer, William Buckler writes: "In the days of 'economic growth' through job creation –which ended in 2008 – any idea that the debt issued by governments might be 'suspect' was a "here today – gone tomorrow" phenomenon. If it cropped up anywhere in the world, the full armoury of the international financial community was immediately deployed to overcome it. Sovereign debt was sacrosanct. It had to be. It was officially the backing for every national (and international in the case of the Euro) paper currency in the world.

There is no government in the world today that will ever 'repay' its debt except in 'money' which has seen its purchasing power gutted. There is no government in the world today which could even afford to service its debt at the interest rates being faced by the peripheral Euro nations. The risk of government borrowing is as old as the practice of government borrowing. Government borrowing itself (especially longer term borrowing) is – in the words of Ludwig von Mises – 'a vicious practice.' It always has and always will result in the bankruptcy of the government and of all those who regarded its IOUs as being risk free. What is transpiring in markets today is a last gasp effort to maintain this 'risk free' fiction.

Every day that the paper markets do not implode, the risk is 'gone today.' The problem is that as the markets become ever more manic, it always comes back tomorrow. That is the future facing the paper markets. The roller coaster ride will get ever more manic until the mechanism breaks down completely. The only way to avoid this is to discard the economic orthodoxy that debt is the route to economic 'growth.' It isn't. It is the way to penury. Ask any underwater U.S. mortgage holder or food stamp recipient. Ask any Greek private citizen protesting outside their parliament. Ask any banker who has already begun to dump European sovereign debt paper despite the losses imposed. The time is coming when risk can no longer be postponed until a tomorrow which is never supposed to become today."

The Pathetic Saga of Countrywide Financial Corp.

The U.S. Justice Department recently announced the largest residential fair-lending settlement in history, citing the Bank of America's agreement to pay $335 million U.S. to settle allegations that its Countrywide Financial unit discriminated against black and Hispanic mortgagors during the housing boom. The Justice Department's investigation concluded that Countrywide had charged higher fees and mortgage rate to more than 200,000 minority borrowers across the U.S. than to white borrowers who posed the same credit risk. It also steered more than 10,000 minority borrowers into costly subprime mortgages, when white borrowers with similar credit profiles received prime loans. This represents the latest settlement with B of A's Countrywide unit. Earlier this year it agreed to pay $20 million (U.S.) to settle with the Justice Department over allegations Countrywide illegally foreclosed on about 160 members of the U.S. military without court orders. Moreover, the U.S. Federal Trade Commission reached a settlement with Countrywide last year for $108 million (U.S.) regarding overcharging for loan servicing fees.

Separately, the U.S. Securities and Exchange Commission (SEC) agreed to a settlement in a civil suit against Angelo Mozilo, the former CEO of Countrywide, where Mozilo would be fined $22 million (U.S.), while neither pleading innocence, nor admitting guilt. That amount represents less than five per cent of the compensation he received as CEO from 2000 to 2008, basically a joke. Wakeup call for the Board of Directors of the Bank of America: You should be researching your legal options to sue former B of A President and CEO Ken Lewis for $463 million (U.S.) and demanding a claw back of his outrageous pension, charging gross incompetence and lack of proper due diligence in the takeover of Countrywide Financial Corp. in 2008.

Wall Street Whistleblowers

Since the financial crisis of 2008, there has still yet to be a single prosecution of a high-ranking Wall Street executive or a major financial firm. As CBS-60 Minutes reported in late November, this is true despite the prominent role that fraud and financial misrepresentations played in the subprime mortgage meltdown. 60 Minutes' Steve Croft interviewed two whistleblowers who confronted two of the largest players in the financial crisis.

Eileen Foster was an executive vice-president of fraud risk management at Countrywide Financial. In that compliance role, she supervised a staff of 30-40 people and was responsible for investigating mortgage fraud and reporting those investigations to regulators and the company's board of directors. After discovering shockingly high levels of mortgage fraud in an investigation of Boston-area Countrywide branches, Foster continued investigating elsewhere. She uncovered similarly unacceptable levels of mortgage fraud in Miami, Chicago, Cincinnati, San Diego, Las Vegas and Los Angeles. When she reported what appeared to be a systemic problem to her superiors, Countrywide launched an internal investigation of her and ultimately fired her. She has subsequently sued bank of America and Countrywide and the Department of Labor has ordered her reinstatement and awarded her $930,000 (U.S.) in damages.

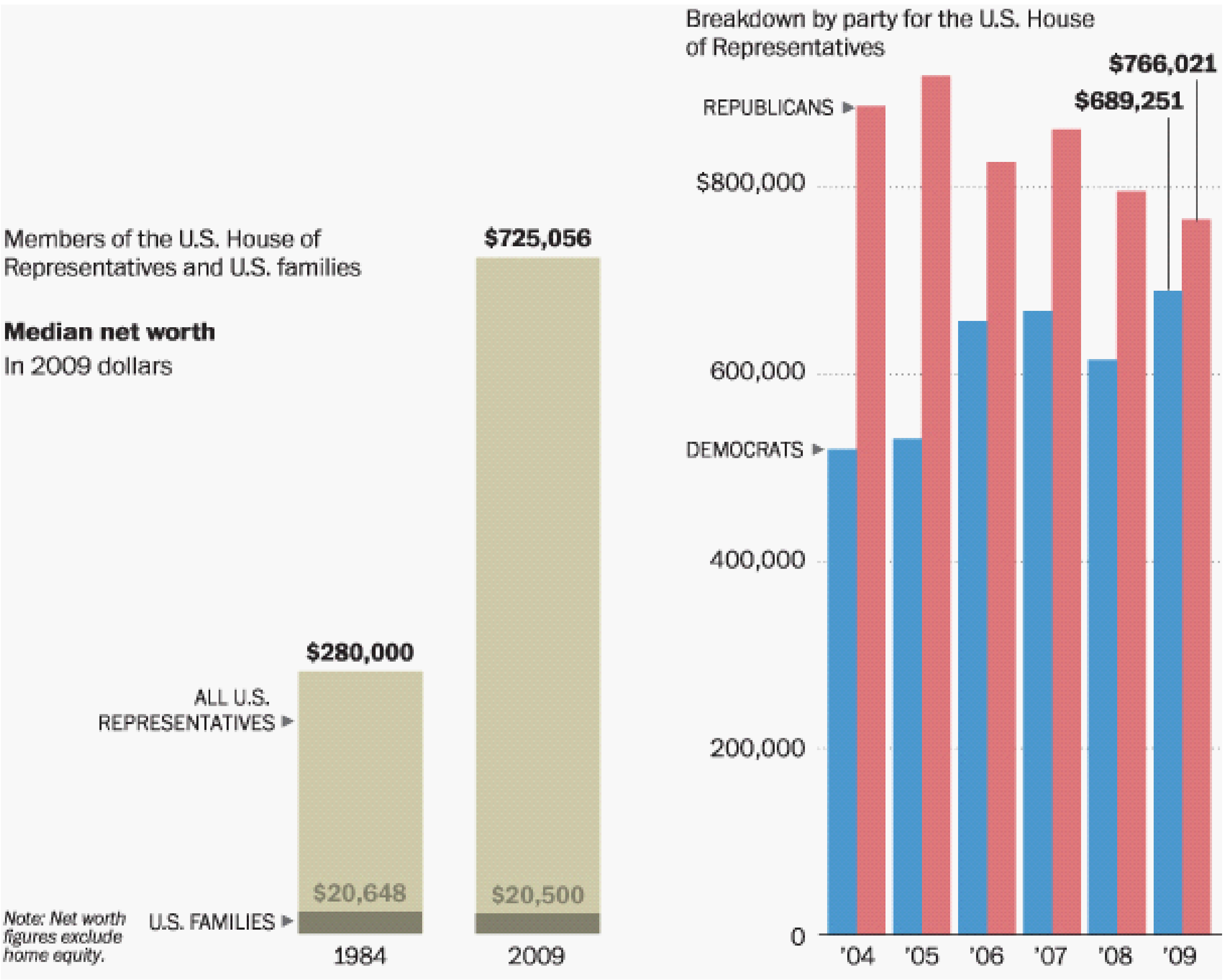
Richard Bowen is a former vice-president of Citigroup Inc. Like Foster, he too discovered massive, systemic mortgage fraud taking place within Citigroup. In 2006, after an extensive review, he discovered that 60% of the mortgages he evaluated were defective. He requested a formal investigation, which not only confirmed his findings, but also, discovered that the mortgage division had been out of compliance since 2005. However, after he reported his findings to management, nothing changed and by 2007, the rate of defective mortgages had increased to over 80%. In response, during November 2007, Bowen sent a letter directly to top executives at Citigroup – the chief financial officer, chief risk officer, chief auditor and the chairman of Citigroup's executive committee – informing them of the 'breakdown of internal controls' and 'unrecognized financial losses.' Citigroup did nothing in response, except the next day, CEO Charles Prince signed a certification document, swearing that the Bank's internal controls were effective. Not long thereafter, Citigroup drastically reduced Bowen's responsibilities and directed him to refrain from coming into the office.

U.S. Politicians Never Leave Washington Poor

According to the New York Times: "Member of Congress are getting richer compared, not only to the average American worker, but also to other very rich Americans. While the median net worth of members of Congress rose by 15% from 2004 to 2010, the net worth of the richest 10% of Americans remained essentially flat. For all Americans, median net worth declined by 8%, based upon inflation adjusted data from Moody's Analytics. Further back, the median wealth of House members grew about two and a half times between 1984 and 2009 in inflation adjusted dollars; while the wealth of the average American family actually declined slightly during the same time frame, according to data cited by the Washington Post. With millionaire status now the norm, the rarified air in the Capitol these days is $100 million (U.S.). That lofty level appears to have been surpassed by at least 10 members.

Once in Congress, members benefit from many financial perks, unavailable to most Americans. Beyond a base annual salary of $174,000 (U.S.) – an increase of about 10% since 2004, somewhat less than inflation – members receive extra pay for senior posts and generous medical and pension benefits; as well as accoutrements of power often financed by taxpayers or their election campaigns. Sheila Krumholz, Executive Director for the Center for Responsive Politics, notes the rising Congressional wealth fuels public doubts about whether members are more focused on their constituents' interests, or their own investment portfolios: 'There's always a concern that they can't truly understand, or relate to the hardships their constituents feel – that rich people just don't get it.' In an effort to gauge how directly the country's economic problems affected lawmakers, The New York Times contacted the offices of the 534 current members (one seat is vacant) for an informal survey. It asked if they had close friends or family members who had lost jobs or homes since the 2008 economic downturn. Only 18 members responded. One likely cause of the rising wealth is the growing cost of a political campaign. A successful Senate candidacy cost on the average nearly 10 million (U.S.) in 2010; while a successful House race cost $1.4 million (U.S.), significantly above past elections. The data analyzed by the Times corroborated the idea that incoming members are in fact richer than those in the past. The freshman class of 106 members elected in 2010, including many Tea Party-backed Republicans, had a median net worth of $864,000 (U.S.) – an inflation adjusted increase of 26% from the 2004 freshmen."

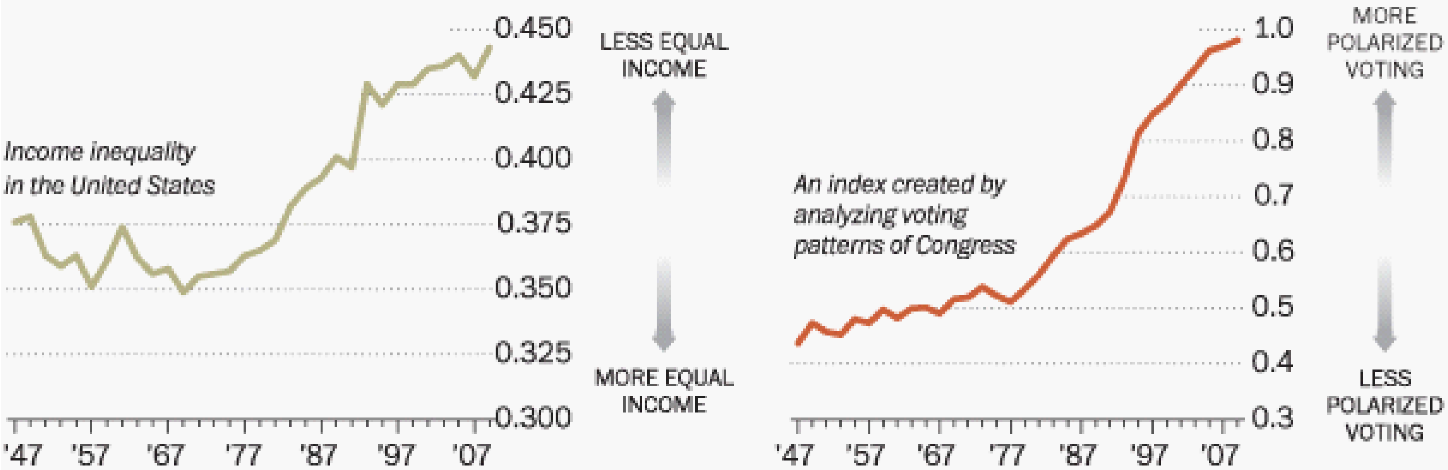
Congressional Net Worth More Than Doubles Since 1984



Sources: Center for Responsive Politics; Census Bureau; DW-Nominate database on Voteview.com; The Washington Post

Wealth gap, voting gap

As the difference between rich and poor has widened in recent decades, so has political polarization in Congress.



Sources: Center for Responsive Politics; Census Bureau; DW-Nominate database on Voteview.com; The Washington Post

My Country 'Tis of Thee, Sweet Land of Liberty

The National Defense Authorization Act of 2012, recently passed by the U.S. Senate, is the single greatest current threat to Americans' civil liberties. This legislation places domestic terror investigations and interrogations into the hands of the military and opens the door to the indefinite detention of anyone, including American citizens, whom the federal government deems to be "a member of, or part of Al-Qaida, or an associated force, can be held in military custody without trial until the end of the hostilities authorized by the Authorization for Use of Military Force." … In the judgment of the University of Texas' Robert Chesney – an authority on military detention – "U.S. citizens are included in the granting of detention authority."

So, despite the Sixth Amendment's guarantee of a right to trial, the Senate bill will allow the federal government to incarcerate any citizen it swears is a terrorist without the burden of proving its case to an independent judge; and for the lifespan of an amorphous war that conceivably will never end. Moreover, because the Senate is packaged the bill that authorized $662 billion (U.S.) in funding for the military for 2012, as its vehicle for this dramatic constitutional claim, it was signed into law on December 31st. Senator Al Franken (D-Minn.) commented: "The bill denigrates the very foundations of this country." Senator Rand Paul (R-Ky.) added: "The bill puts every single American citizen at risk."

In a signed statement appended to the bill, U.S. President Barack Obama unequivocally declared: "The fact that I support this bill as a whole does not mean that I agree with everything in it. In particular, I have signed this bill despite having serious reservations with certain, ill-conceived provisions that regulate the detention, interrogation and prosecution of suspected terrorists. I retain the full and unencumbered ability to waive any military custody requirement and I reject any approach that would mandate military custody where law enforcement provides the best method of incapacitating a terrorist threat." The potential problem here is that a different U.S. President may introduce his/her own legal interpretation to certain sections of the bill.

Indeed, this bill is even in breach of Articles 39 and 40 of the Magna Carta, signed at Runnymede, England on June 15, 1215 by English Barons and King John, King of England, Lord of Ireland, Duke of Normandy and Aquitaine and Count of Anjou, to wit: "No freeman shall be taken, or imprisoned, disseized, or outlawed, or exiled or in any way ruined, nor will we go or send against him, except by the lawful judgment of his peers or by the law of the land. To no one will we sell, to no one will we deny or delay right or justice."

MF Global – Suspicion of Wrongdoing Goes Deeper Than People Think

According to the Wall Street Journal, investigators on the hunt for an estimated $1.2 billion (U.S.) in customer money missing since MF Global Holdings Ltd. collapsed are focusing on the securities firm's settlements operations in Chicago. It isn't clear how much progress the Justice Department, two U.S. attorney's offices, the Commodity Futures Trading Commission and the Securities and Exchange Commission (SEC) have made as a result of the scrutiny in Chicago, ranging from accountants to controllers to treasury officials … People close to the probe revealed that investigators are pushing hard to determine which Chicago employees knew about the movement of money in the days before MF Global tumbled into bankruptcy protection, who ordered the money transfers and if anyone knew that the transfers would lead to a shortfall in the customer-segregated account. While federal prosecutors have yet to interview Jon Corzine, MF Global's former Chairman and CEO, Operations Manager Bradley Abelow, or Chief Financial Officer Henri Steencamp, that day cannot be far away.

Jon Corzine, former Chairman and CEO of MF Global Source: Financial Times

The Future Promise to Pay – The Full Faith and Credit of the United States

At the Bretton Woods, New Hampshire, financial conference in July 1944, in an effort to free international trade and fund post WWII reconstruction, 730 delegates from all 44 allied nations agreed to fix their exchange rates by tying their currencies to the U.S. dollar. Of course, American politicians assured the rest of the world that its currency was dependable by linking it to gold: one troy ounce of gold bullion equaling $35 (U.S.). Nations also agreed to buy and sell U.S. dollars to maintain their currencies within 1% of the fixed rate. Thus began the golden age of the U.S. dollar's acceptance as the world's reserve currency. However, the new system failed to take into consideration the change in gold's actual value since 1934, when the $35 (U.S.) ratio had been previously set. Actually, during and after WWII, the dollar lost substantial purchasing power and as European countries rebuilt and began demanding America settle trade transactions in gold, led by France, the accelerating depletion of U.S. gold reserves doomed the Bretton Woods agreement as a permanent, viable system. Eventually, in August 1971, U.S. President Richard Nixon formally severed the link between gold bullion and the U.S. dollar.

U.S. Dollar Displacement

This phrase was coined by The Privateer to describe bilateral and multilateral trade agreements between countries, such as recently signed by Japan and China, wherein direct transactions will be settled in their own currencies, without using the U.S. Dollar as the common intermediary. Both governments acknowledged that these moves were designed to move away from U.S. Dollars, both as reserves and in terms of international trade. “There has been a similar agreement in place between China and Russia for well over a year. In the wake of the U.S. inspired embargo on the Iranian financial system and Iranian oil, India has approached Iran with the view to buying oil without the use of U.S. Dollars. Indian newspapers report that India has suggested the use of gold instead. All over Asia, more and more nations are moving towards bilateral and multilateral trade effected without the participation of either U.S. Dollars or Euros.

Every nation or group of nations anywhere in the world which decide to cease using the U.S. Dollar as the common denominator in trade is casting a financial vote of non-confidence in the global financial system as it is presently constituted. After much more than half a century of continuous annual U.S. trade deficits (alongside the budget deficits), the only surprise is that this move has taken so long … If the agreements which have been popping up all over Asia are consummated, the days of the U.S. Dollar as the world’s reserve currency are coming to an end. When (not if) that happens, the U.S. government will find itself in exactly the same position as peripheral Europe has been for the past two years. It will be staring with horror at interest rates which will be exploding upward, on a (national) debt which is exploding even faster.

Summation

We have focused on the fact that the world is awash in sovereign debt and to date no government or political party has displayed the leadership required to deal responsibly with this enormous threat to global commerce. The governments of America and the euro zone have been content to embrace a strategy of trying to solve a debt problem by issuing more debt and / or by imposing harsh austerity measures. Both of these measures are doomed to failure as economies will contract further and governments will eventually be unable to service their outstanding debt. Indeed, witness the current soaring yield levels of several euro zone sovereign credits, including Greece, Italy and Portugal, which will become unsustainable; as well as the ongoing sovereign debt credit rating downgrades which together, serve as a recipe for economic disaster.

The above notwithstanding, on several levels America insists upon complicating its debt situation by enabling / facilitating self-inflicted wounds. How could any politician on any level, basically sell his soul to a manipulative, controlling Washington lobbyist, whose sole purpose is subvert the political process? It should be illegal for any politician to sign any pledge which will compromise his oath of office to serve the electorate in a free and responsible fashion. Moreover, how can it be in the national interest to protect incomes in the medical profession and other special interest groups just because they contribute to your election campaign coffers? Washington’s lobbyist system is out of control and has become counterproductive.

This pathology of debt has been constructed on a foundation of paper money – a future promise to pay – whose inherent value is perpetually being eroded by sovereign states and their central banks. “A private central bank issuing the public currency is a greater menace to the liberties of the people than a standing army.” – U.S. President Andrew Jackson, circa 1833. The first ever Government Accountability Office (GAO) audit of the U.S. Federal Reserve was carried out over the last few months and has unearthed some startling revelations. Between December 2007 and June 2010, the Fed had secretly arranged bailouts to a total of $16 trillion (U.S.) at 0% interest to American banks and corporations and foreign banks everywhere from France to Scotland. Why the Federal Reserve had never made this information public is obvious. The American public would have been outraged to discover that the Fed had bailed out foreign banks while Americans were struggling to find jobs. A partial list of financial institutions that received the most money from the Federal Reserve is as follows:

Citigroup $2.5 trillion
Morgan Stanley $2.04 trillion
Merrill Lynch $1.949 trillion
Bank of America $1.344 trillion
Barclay's PLC (U.K.) $868 billion
Bear Stearns $853 billion
Goldman Sachs $814 billion
Royal Bank of Scotland (U.K) $541 billion
JP Morgan Chase $391 billion
Deutschebank (Germany) $354 billion
UBS (Switzerland) $287 billion
Credit Suisse (Switzerland) $262 billion
Lehman Brothers $183 billion

"The fact that we are here today to debate raising America's debt limit is a sign of leadership failure. It is a sign that the U.S. government cannot pay its own bills. It's a sign that we now depend on ongoing financial assistance from foreign countries to finance our government's reckless fiscal policies. Increasing America's debt weakens us domestically and internationally. Leadership means that 'the buck stops here.' Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership. Americans deserve better." – Senator Barack Obama, March 2006. At that time the American national debt was about $8.5 trillion (U.S.); and when Barack Obama assumed the presidency, the national debt was $9.2 trillion (U.S.).

Written By: Christopher Funston