

Cult of the Big 5 Banks

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According to the OCC Quarterly Report on Bank Trading and Derivatives Activities (Third Quarter 2013) the Assets and Notional Amount of Derivatives = Phantom Claims held by the top 5 Bank Holding Companies were (in \$ millions):

| | Real Assets | Derivatives |
|-----------------|-------------|-------------|
| JPMORGAN CHASE | 2,463,309 | 73,255,282 |
| CITIGROUP | 1,899,511 | 63,245,172 |
| BANK OF AMERICA | 2,128,706 | 57,929,528 |
| GOLDMAN SACHS | 923,359 | 50,372,894 |
| MORGAN STANLEY | 832,223 | 50,332,826 |
| total | 8,247,108 | 295,135,702 |

According to the Bank for International Settlements, the total Notional Amount of Derivatives in the entire world in June 2012 was \$ 638,928 billion

so

the Big 5 Banks of the USA own by themselves \$ 295 trillion out of \$ 639 trillion of the world-wide Derivatives market

and therefore,

the Big 5 Banks control what is by far the largest part of the Dollar Economic System and therefore control the Dollar Economic System itself.

The Big 5 Banks use their control of the Dollar Economic System to try to control the entire world, by rewarding their friends with things like political campaign contributions and by punishing anyone who opposes them by denying credit, imposing sanctions, etc.

How did the Big 5 Banks become so powerful ?

Mike Lofgren in a 21 February 2014 Bill Moyers.com essay, uses the term "Deep State" to describe a "... shadowy government ... which operates according to its own compass heading regardless of who is formally in power ... It is a hybrid of national security and law enforcement agencies ... also ... the Department of the Treasury because of its jurisdiction over financial flows, its enforcement of international sanctions, and its organic symbiosis with Wall Street ...

Wall Street may be the ultimate owner of the Deep State ... the [members] of the Deep State ... believe in the "Washington Consensus": financialization, outsourcing, privatization, deregulation, and the commodifying of labor. Internationally, they [believe in] 21st-century "American exceptionalism": the right and duty of the United States to meddle in every region of the world with coercive diplomacy and boots on the ground and to ignore ... international norms of civilized behavior. ...".

The Big 5 Banks control Wall Street which owns the Deep State, so I use the term **"Big 5 Banks" for the entity that rules the USA** and much of the world.

Do the Big 5 Banks have a Doctrine ?

“... Finance capitalism ... is the subordination of processes of production to the accumulation of money profits in a financial system ... since the late 20th century it has become the predominant force in the global economy ...” (quote from Wikipedia)

The Big 5 Banks make money by following the Doctrine of Finance Capitalism.

Following a Doctrine is characteristic of Cults.

How do the Big 5 Banks keep their members in line with the Doctrine ?

Lofgren said “... Cultural assimilation ... “groupthink”, the “chameleon-like ability of people to adopt the views of their superiors and peers ... is endemic ...

As in the military, everybody has to get on board with the mission ...”.

Groupthink is characteristic of Cults.

Who are members of the Big 5 Banks ?

To be specific, look at Goldman Sachs. Matt Taibbi, in a 5 April 2010 Rolling Stone article, said “... the recent ... history of the ... American empire ...

reads like a Who’s Who of Goldman Sachs graduates ...

Robert Rubin, Bill Clinton’s former Treasury secretary, spent 26 years at Goldman before becoming chairman of Citigroup ... Rubin ... was hyped as without a doubt the smartest person ever to walk the face of the earth, with Newton, Einstein, Mozart and Kant running far behind ... Rubin appeared on the cover of Time [magazine] with his Treasury deputy, Larry Summers, and Fed chief Alan Greenspan under the headline

“The Committee To Save The World” ...

George Bush’s last Treasury secretary ... former Goldman CEO Henry Paulson was the architect of ... the bailout ... plan to funnel trillions of ... Dollars to ... his old friends on Wall Street ...”. According to Wikipedia: “... Former Goldman executives ... include:

Robert Rubin ... who served as ... Secretary of the Treasury under ... Bill Clinton ...

Rubin ... received more than \$126 million in cash and stock during his tenure at Citigroup, up to and including Citigroup’s bailout by the U. S. Treasury ... He ... sits on the board of the Harvard Corporation ... and ... is co-chairman of the Council on Foreign Relations ... the [USA’s] “most influential foreign-policy think tank” ...

Henry Paulson who served as ... Secretary of the Treasury under ... George W. Bush
Mario Draghi, President of the European Central Bank;

Mark Carney, Governor of the Bank of Canada 2008–13 and Governor of the Bank of England from July 2013 ...”.

Members of the Big 5 Banks now hold all the positions of real power in the USA and its Finance Capitalism system, so that they determine all the future holders such positions, and therefore are

a self-perpetuating system of followers of Robert Rubin, “the smartest person ever”.

A self-perpetuating group following a Charismatic Leader is a Cult.

Therefore:

The Big 5 Banks are a Cult.

What has the Cult of the Big 5 Banks done ?

In 1993 Robert Rubin began to direct the National Economic Council under Bill Clinton. Since then, the USA has been effectively directed by the Cult of the Big 5 Banks, and:

1994 - North American Free Trade Agreement (NAFTA) was enacted.

1995 - Rubin becomes Secretary of the Treasury.
Rubin and Clinton and Fed Chairman Greenspan give \$20 billion to Mexico.

1997 - Rubin and Greenspan block regulation of Derivatives by the CFTC.

1998 - "... the "Greenspan Put" was confirmed ...[by]... bailout of ... LTCM ... triggered by the Russian default in August 1998 ... the Fed would ...[give]... Wall Street unlimited liquidity ... financial losses would ... be socialized ..." (quote from David Stockman in his 2013 book "The Great Deformation")

1999 - Rubin and his deputy Larry Summers get repeal of Glass-Steagall Act.

USA/NATO initiate Kosovo War to assert control over former Yugoslavia and former Warsaw Pact states and former USSR members. Russia is too weak to resist. NATO welcomes Czech Republic, Hungary, and Poland, and makes progress in Romania, Slovenia, Estonia, Latvia, Lithuania, Bulgaria, Slovakia, Macedonia, Greece, and Bulgaria. NATO exercises include Azerbaijan, Georgia, Kirghizia, Moldavia, Ukraine, and Uzbekistan. This effectively secures for USA/NATO the Caspian Sea Oil which is expected to be 200 billion barrels.

2001 - USA explores the Caspian Sea Oil, expecting to find 200 billion barrels but drilling shows that there are only 20 billion barrels.

2003 - USA invades Iraq to get its 100 billion barrels of oil. In the Davos World Economic Forum USA speakers said "... We need to attack Iraq ... preemptively, as part of a global war. Iraq is just one piece of a campaign that will last years, taking out states, cleansing the planet. ...".

2004 - CIA Orange Revolution in Ukraine installs CIA puppets Yushenko and Tymoshenko, but they lost 2010 election to pro-Russian Yanukovich. Then in 2014 the CIA deposed Yanukovich but Russia annexed Crimea and supports Russia-friendly NovoRussia (East Ukraine) against CIA-puppet Poroshenko in Kiev. Unlike Kosovo, USA/NATO finds that Russia has by 2014 recovered enough strength so that USA/NATO no longer has unopposed military control of Eurasia.

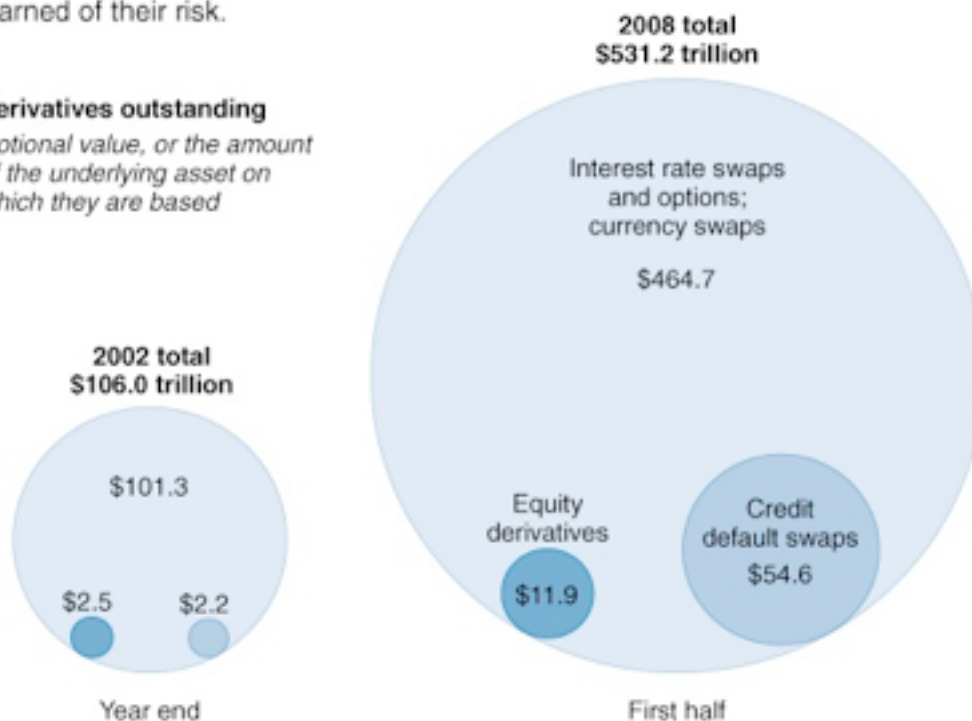
2008 - USA Big Bank financial crisis: This chart (New York Times October 2008)

Growth of a Complex Market

The market for financial instruments known as derivatives — contracts intended to hedge against risk whose values are derived from underlying assets — has increased fivefold since 2002. While Alan M. Greenspan was a champion of them and opposed regulating them, others warned of their risk.

Derivatives outstanding

Notional value, or the amount of the underlying asset on which they are based



Source: International Swaps and Derivatives Association

shows that the Credit Default Swap problem had grown to \$55 trillion in October 2008 and the total value of Derivatives had grown to \$465 trillion.

Overvalued mortgages triggered a collapse of the excess $\$55 - \$2 = \$53$ trillion in the Credit Default Swap asset-money Bubble.

To cover those losses and to protect the total Derivatives market from collapse the Fed and Treasury began Quantitative Easing = printing trillions of Dollars a year and giving it to the Big 5 Banks and their friends by buying their losing Derivative bets. This has enabled the Finance Capitalism Derivatives market to continue and even grow but has done nothing to help any productive sector of the USA. As Stockman said:

“... by 2008 China, Australia, and Brazil had become the world’s new mining and manufacturing economy ...”

The unstable growth Derivatives from \$106 trillion in 2002 to \$531 trillion in 2008

causes China to propose (according to a Reuters 17 September 2008 article) that

“... the world must consider building a financial order no longer dependent on [USA] ...”.

2009 - Arianna Huffington in a 15 March 2009 huffingtonpost.com article said:
"... The battle lines over how to deal with the banking crisis have been drawn. On the one side are those who know what needs to be done. On the other are those who know what needs to be done -- but won't admit it. Because it is against their self-interest. Unlike the conflict over the stimulus package, this is not an ideological fight. This is a battle between the status quo and the future, between the interests of the financial/lobbying establishment and the public interest.

What needs to be done is hard but straightforward.

As Martin Wolf of the Financial Times sums it up:

"Admit reality, restructure banks and, above all, slay zombie institutions at once." This tough love for bankers is being promoted by everyone from Nouriel Roubini, Paul Krugman, and Ann Pettifor to Niall Ferguson, the Wall Street Journal, and Milton Friedman's old partner, Anna Schwartz ... "They should not be recapitalizing firms that should be shut down," says Schwartz. "Firms that made wrong decisions should fail." ... Tim Geithner ... is on the wrong side of the issue, more worried about the banking industry than the American people. Like Hank Paulson before him, Geithner appears more concerned about saving particular banks than saving the banking system. ... As Ann Pettifor puts it on HuffPost: "Much of Wall Street is effectively insolvent. It's not that these banks lack cash or capital -- it's just that they're never going to meet all their financial liabilities -- i.e. repay their debts. Ever." ...".

Paul Krugman in a 23 March 2009 democracynow.org interview said:

"... "The Zombie Ideas Have Won" ... Treasury Secretary Timothy Geithner is preparing to unveil a plan ... to purchase as much as \$1 trillion in troubled mortgages and other assets from banks. ... The Obama administration has described the plan as a public-private partnership, but most of the actual money will be put up by the government. ... Paul Krugman: A zombie idea is ... a bad idea, but it just keeps on coming back. ... to ... have taxpayers go in and buy ... these toxic assets ... 85 percent of the money is going to be a loan from the government, which is a non-recourse loan ... Ultimately, the buck stops in the Oval Office.

The question is,

why is President Obama going with the soft side,
the hope over analysis, on this stuff?

... the view still, apparently, dominant ... in this administration is that there's nothing really fundamentally wrong with the system. ... those people who we thought were so smart ... really are smart, and we want to keep them on the job. ... the Obama administration is still partying like it's 2006. ...".

Swaminathan S. Anklesaria Alyarin a 22 April 2009 economictimes.indiatimes.com article said:

"... the Obama administration is prolonging the recession by avoiding surgery to remove dead wood from its financial sector. Some call this cowardice.

Others, such as former IMF chief economist Simon Johnson, writing in *The Atlantic*, say Wall Street has captured the White House. ...

This ... highlights the priority given by the Obama administration to save the titans of Wall Street rather than end the recession quickly. ...

Technically, the financial sector is comprehensively bust.

It needs to recognise the losses, writing off trillions. ...

The market solution would be to force insolvent banks into bankruptcy, with shareholders and creditors taking a huge hit ... Many titans of Wall Street will disappear ... the Obama administration refuses to contemplate this obvious solution. ...

In a market economy, well-managed companies should be rewarded with profits, while mismanaged companies should go bust.

This basic rule has been suspended almost entirely for the titans of Wall Street. ...

Accounting norms have been tweaked

to permit zombie banks to pretend they are alive and solvent. ...

Wall Street has captured the White House,

so nothing will be done to imperil the politico-financial network that rules the US.

Robert Rubin and Hank Paulson, treasury secretaries of Clinton and Bush,

were both from Goldman Sachs. Larry Summers, the current treasury secretary, earned millions as a hedge fund consultant. ...".

So, by 2009 the USA had violated the Principle of Benevolent Rule and lost its Mandate of Heaven:

仁 rén benevolent rule

Mandate
of
Heaven

天命
Tianming

Does China have the resources to replace the USA as Financial World Leader ?

The Top 5 Banks of China have assets (according to www.cba.ca) (in \$ millions):

| | |
|-------------------------------------|------------|
| ICBC | 2,803,129 |
| China Construction Bank Corporation | 2,232,764 |
| Agricultural Bank of China | 2,116,358 |
| Bank of China | 2,026,278 |
| Bank of Communications | 842,651 |
| total | 10,021,180 |

Although the Big 5 Banks have \$303,3812,810 million (Assets + Derivatives)
the Derivatives are only Phantom Claims in the UnRealistic Finance Derivatives World
and are only worth their net value (ZERO) in the Real World of Manufacturing

so

in the Real World the Big 5 Banks have only \$8,247,108 million Assets
and

China Banks have more Real Assets (\$10 trillion to \$8 trillion)

In competition for Global Financial Hegemon:

China + Russia has the Chinese Manufacturing Machine
which can be fed by Russian Resources
while

the USA has nothing to offer the rest of the world
other than Lawyers, Accountants, and Bankers
which would be irrelevant with China as Global Financial Hegemon.

USA policy in the Middle East has alienated both Iran and Saudi Arabia
and has driven Egypt to seek arms from Russia
while

China is getting agreements to buy oil from Russia, Saudi Arabia, Iran and Venezeula
using Chinese currency instead of Dollars.

USA has historically had high influence in Europe
but

instability of the European Union due to mismatch
of the German and the South European economies
make it a less reliable ally.

USA has military bases in Japan
but

Japanese economic ties to China are strong.