

ARMAGEDDON USA? AMERICA AT THE CROSSROADS

Tullett Prebon's Global Head of Research Warns in Report: "America Needs to Get Real"

New York City and London – February 7, 2012 – Tullett Prebon plc, ("Tullett Prebon"), one of the world's leading inter-dealer brokers, today issued a report by Dr. Tim Morgan, Global Head of Research, entitled, "*Armageddon USA? America at the Crossroads,*" a sharply critical, no-holds barred analysis of the current fiscal and economic status of the United States.

The report, (<http://www.tullettprebon.com/strategyinsights>), follows a similar in-depth and unvarnished analysis by Dr. Morgan of past policies and current economic fundamentals affecting the United Kingdom's recovery, which was released in July 2011.

The U.S.-focused report begins by explaining that, despite the recent upturn in the published numbers, America's economic problems are actually much worse than they appear.

According to Dr. Morgan, principal official U.S. data has been subjected to an incremental, decades-long process of statistical obfuscation. Inflation numbers are hugely distorted by "hedonic adjustment", "geometric weighting" and "substitution", while the exclusion of "discouraged" and "marginally-attached" workers renders the official (U-3) unemployment number almost meaningless. Published federal debt excludes enormous quasi-debt obligations, the reported deficit excludes big annual increments to these quasi-debts, and economic growth over the last decade has been largely illusory.

"Armageddon USA?" identifies three core problems at the heart of the American economic malaise. First, the US has been the victim of a one-sided globalization process whereby China (in particular) pays lip-service to free trade while manipulating its currency, operating blatant tariff and informal trade barriers to U.S. exports, and engaging in the wholesale appropriation of American technology.

Second, the US has been undermined by a process of "financialization" whereby jobs and productive activities have been displaced by the ultimately non-productive process of simply moving money around for its own sake. This process, Dr. Morgan says, echoes historic 'end-of-era' trends in Spain, the Netherlands and Britain.

Third, disastrous regulatory reform has resulted in the lethal mispricing of risk. The proliferation of derivatives has split the risk element out of high-risk, high-return debt issuance. At the same time, America has diverted capital from productive investment into vanity projects and into the inflation of non-earning assets, principally the nation's housing stock. Where the brightest Chinese students study engineering

before moving into industry, Dr. Morgan says, too many young Americans study law before moving to Wall Street.

Based on this analysis, and in addition to the cancellation of unaffordable federal programs, "Armageddon USA?" advocates three critical reforms designed to restore America's global economic primacy.

First, Dr. Morgan says, the U.S. needs to tighten regulation to prevent the accumulation of mis-priced risk and, second, to make careers in industry much more attractive.

Third, Dr. Morgan says America needs to take an ultra-tough line on overseas trade, requiring China to remove all import barriers, implement the free float of the renminbi, and cease all appropriation of American technology.

"Contrary to much ill-informed speculation, the continued transfer of economic primacy from West to East is neither inevitable nor irreversible," says, Dr. Morgan. "But continued absolute as well as economic decline will become unstoppable, unless America takes immediate action to address structural weaknesses at home, and unfair competition abroad."

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