

America's Purse Strings: Who Really Owns Us?

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The U.S. government, similar to many of us who have debt, has creditors who have over the years become much like landlords. The country's \$14 trillion debt is held in part by private banks in the U.S. However, the Treasury Department and the Federal Reserve Board estimate that, as of December, about \$4.4 trillion of that debt is held by foreign governments. These foreign governments have purchased U.S. treasury securities in the same manner as an investor would buy shares in order to own part of a company. We invest to make a profit. At the same time, we want to be able to have a voice in how that company is run.

Who are the main foreign investors who "own" a piece of the U.S.? It certainly comes as no surprise to anyone who has been following either the International News or Wall Street. China leads the list with 20.4 percent of our foreign debt (this equates to \$891 billion). This is almost equal to the combined 2009 GDP of Illinois (\$630.4 billion) and Indiana (262.6 billion) in 2009. We use Illinois in our illustration since it is President Obama's home state. What is surprising though, is that China and its constituent parts (Hong Kong with 3.2 percent or \$138.2 billion and Taiwan with 3.0 percent or \$131.9 billion) occupy three of the top ten positions in a list of foreign creditors.

Japan is a very close runner-up to China, accounting for over one fifth or 20.2 percent of our foreign debt (\$883.6 billion). Two of our closest allies, the United Kingdom and Canada, occupy the third and eighth positions respectively on the list. The U.K. has invested \$541.3 billion or 12.4 percent into our foreign debt, while Canada accounts for \$134.6 billion or 3.1 percent.

The combined group of oil exporting companies (Venezuela, Indonesia, Bahrain, Iran, Iraq, Qatar, Saudi Arabia, the United Arab Emirates, Algeria, Gabon, Libya and Nigeria) ranks fourth on our list. The group holds 5 percent of all American foreign debt, with a combined \$218 billion of U.S. treasury securities in their own treasuries. The remaining "owners" listed in decreasing order include: Brazil, Caribbean Banking Centers and Russia.

Unfortunately, the U.S. has continued to rack up increasing deficits. Even if we are able to bring our economy into balance, deficits will continue to run for decades, and the national debt will keep growing every year. The foreign countries that possess large portions of our assets have the ability to put increasing influence on all aspects of our lives. These aspects range from political ideology and foreign policy, to economic decisions and sanctions regarding export and import. Let's hope they don't start knocking on our door requesting debt repayment anytime soon.