A Taste of Reality and Success: Regulation!

by peptide *Saturday, Jan 19 2008, 10:25am*
international / social/political / commentary

> China has trounced the economies of the world but especially that of the USA with a very simple strategy, REGULATION! Russia's re-emergence has not gone without notice either! China has effectively won the Globalisation war that America imagined was in its pocket – the arrogance, dissociation and incompetence of America is now legendary. But there's more, a whole lot more.

Bush's drunken sailor economics has broken the back of the nation and sent the economy into a tailspin. The world grew tired of the Fed printing more bills to compensate for irresponsible spending and failed military campaigns -- the model of militarism and laissez-faire capitalism has failed, diplomacy and regulation have succeeded! It is clearly evident today that GOVERNMENT SERVILITY (to corporatists) IS COUNTER PRODUCTIVE.

All puppet governments please note especially the Australian Labor Government! The now PROVEN optimum model is a balance between rampant exploitation/profiteering and FIRM government regulation.

Venezuela provides more evidence of an astonishing success as a result of nationalisation and regulation:

> "Venezuela fares better than the rest of the region by either measure, but it has done remarkably well since the government got control over the oil industry in the first quarter of 2003. The economy (real GDP) has grown by 87%, creating about 1.8m jobs (nearly three times the rate of annual job creation during the current US expansion)." [Link below.]

The astounding figures speak for themselves; it makes me laugh to hear the pathetic drivel of bereft Oz politicians acting as apologists for the incompetent, overpaid, financial sector and the rapacious multi-BILLION-dollar mining sector! FAIR (fuckin) GO, gentlemen!

Nations can ill-afford timid, retiring, servile NON-INTERVENTIONIST governments today. The Australian PM, Kevin 'custard face' Rudd is loath to lead or intervene into anything for the benefit of the nation and its people. Whether his lack of action is a result of INABILITY or timidity the nation, after years of servility to a failing American State, will not tolerate another corporate lackey as leader. The traditional Labor model of regulation and fair distribution is closer to the successful formula of the world's fastest growing and most successful economies – take note Unions and the Labor left, its time to remove Rudd or force him to adopt traditional (superior) models. The deregulated banks and big finance have demonstrated they cannot be trusted, they must either voluntarily abandon their parasitic fee structures and draconian penalties or be forced to accept broader regulation by government – what is your problem Kevin, NO GUTS or NO ABILITY?

http://commentisfree.guardian.co.uk/mark_weisbrot/2007/12/the_cold_war_rages_on.html

This is what has become of the American State Australia so stupidly and blindly followed:

From the New York Times
January 20, 2008

Foreigners Buy Stakes in the U.S. at a Record Pace

by Peter S. Goodman and Louise Story

Last May, a Saudi Arabian conglomerate bought a Massachusetts plastics maker. In November, a French company established a new factory in Adrian, Mich., adding 189 automotive jobs to an area accustomed to layoffs. In December, a British company bought a New Jersey maker of cough syrup.

For much of the world, the United States is now on sale at discount prices. With credit tight, unemployment growing and worries mounting about a potential recession, American business and government leaders are courting foreign money to keep the economy growing. Foreign investors are buying aggressively, taking advantage of American duress and a weak dollar to snap up what many see as bargains, while making inroads to the world's largest market.

Last year, foreign investors poured a record $414 billion into securing stakes in American companies, factories and other properties through private deals and purchases of publicly traded stock, according to Thomson Financial, a research firm. That was up 90 percent from the previous year and more than double the average for the last decade. It amounted to more than one-fourth of all announced deals for the year, Thomson said.

During the first two weeks of this year, foreign businesses agreed to invest another $22.6 billion for stakes in American companies — more than half the value of all announced deals. If a recession now unfolds and the dollar drops further, the pace could accelerate, economists say.

The surge of foreign money has injected fresh tension into a running debate about America's place in the global economy. It has supplied state governors with a new development strategy — attracting foreign money. And it has reinvigorated sometimes jingoistic worries about foreigners securing control of America's fortunes, a narrative last heard in the 1980s as Americans bought up Hondas and Rockefeller Center landed in Japanese hands.

With a growing share of investment coming from so-called sovereign wealth funds — vast pools of money controlled by governments from China to the Middle East — lawmakers and regulators are calling for greater scrutiny to ensure that foreign countries do not gain influence over the financial system or military-related technology. On the presidential campaign trail, the Democratic candidates have begun to focus on these foreign funds, calling for international rules that would make them more transparent.

Debate is swirling in Washington about the best way to stimulate a flagging economy. Despite divided opinion about the merits, foreign investment may be preventing deeper troubles by infusing hard-luck companies with cash and keeping some in business.

The most conspicuous beneficiaries are Wall Street banks like Merrill Lynch, Citigroup and Morgan Stanley, which have sold stakes to government-controlled funds in Asia and the Middle East to compensate for calamitous losses on mortgage markets. Beneath the headlines, a more profound shift is under way: Foreign entities last year captured stakes in American companies in businesses as diverse as real estate, steel-making, energy and baby food.

The influx is the result of a confluence of factors that have made the United States both reliant on the largesse of foreigners and an alluring place for opportunistic investors. With American banks reeling from the housing downturn and loath to lend, businesses are hungry for cash.

The weak dollar has made American companies and properties cheaper in global terms, particularly for European and Canadian buyers. Even as Americans confront the prospect of a recession, economic growth remains strong worldwide, endowing oil producers like Saudi Arabia and Russia and export powers like China and Germany with abundant cash.

As the German company ThyssenKrupp Stainless broke ground in November on what is to be a $3.7 billion stainless steel plant in Calvert, Ala., its executives spoke effusively about the low cost of production in the United States and the chance to reach many millions of customers — particularly because of the North American Free Trade Agreement, which allows goods to flow into Mexico and Canada free of duty.

“The Nafta stainless steel market has great potential, and we’re committed to significantly expanding our business in this growth region,” said the company’s chairman, Jürgen H. Fechter, according to a statement.

Foreign giants like Toyota Motor and Sony have been sinking capital into American plants. Investment in the American subsidiaries of foreign companies grew to $43.3 billion last year from $39.2 billion the previous year, according to the research and consulting firm OCO Monitor.

“This is a vote of confidence in the American economy, the American marketplace and the American worker,” the deputy Treasury secretary, Robert M. Kimmitt, said. “These investments keep Americans employed and keep balance sheets strong.”

Five million Americans now work for foreign companies set up in the United States, Mr. Kimmitt said, and those jobs pay 30 percent more than similar work at domestic companies. Nearly a third of such jobs are in manufacturing, which explains why Rust Belt states have been wooing foreign investment.

“We’ve lost 400,000 manufacturing jobs,” said Michigan’s governor, Jennifer M. Granholm, a Democrat, who has traveled three times to Europe and twice to Japan in pursuit of investment since taking office in 2003. “I’ve got to get jobs for our people.”

Some labor unions see the acceleration of foreign takeovers as the latest indignity wrought by globalization.

“It’s the culmination of a series of fool’s errands,” said Leo W. Gerard, international president of the United Steelworkers. “We’ve hollowed out our industrial base and run up this massive trade deficit, and now the countries that have built the deficits are coming back to buy up our assets. It’s like spitting in your face.”

Other labor groups take a more pragmatic view.

“We need investment and we need to create good jobs,” said Thea Lee, policy director for the A.F.L.-C.I.O. in Washington. “We’re not in the position to be too choosy about where that investment comes from. But it does bring home the consequences of flawed trade policies over many, many years that we’re in this position of being dependent.”

At the center of concern is the growing influence of sovereign wealth funds, which invested $21.5 billion in American companies last year, according to Thomson. Analysts say they could skew markets by investing to improve the fortunes of their national companies or to pursue political goals.

“This is a phenomenon that could be called the growth of state capitalism as opposed to market capitalism,” said Jeffrey E. Garten, a trade expert at the Yale School of Management. “The United States has not ever been on the receiving end of this before.”

Perhaps emblematic of national ambivalence, in an appearance on CNBC last week, the voluble market analyst Jim Cramer spoke in menacing terms about the growing role of state investment funds from the Middle East and China.

“Do we want the communists to own the banks, or the terrorists?” Mr. Cramer asked. “I’ll take any of it, I guess, because we’re so desperate.”

Proponents of investment from overseas note that finance from sovereign wealth funds is a mere trickle of the overall flow from abroad. Indeed, the bulk comes from Europe, Canada and Japan. Just as Americans have scattered investments around the world in pursuit of profit — with holdings of foreign stock and debt exceeding $6 trillion in 2006, according to the Treasury Department — foreigners are looking to the United States, with their capital generating economic activity, proponents say.

If fear of foreign money now inspires Americans to erect new barriers, that would damage the economy, said Todd M. Malan, president of the Organization for International Investment, a Washington lobbying group financed by foreign companies.

“The policy choices on the negative side would have enormous economic implications that would make the current situation look like a bubble bath,” he said.

Tensions spawned by foreign investment hark back to the 1980s, when Japan snapped up prominent American businesses like Columbia Pictures, and some intoned that the American way of life was under assault. The new wave of foreign money is washing in at an even more important time, analysts say.

The United States has lost more than three million manufacturing jobs since 2001, with foreign trade often taking the blame. Foreign-made goods now account for roughly one-third of all wares consumed in the United States, roughly tripling their share over the last quarter-century. The soaring price of oil and a widening trade deficit underscore how the American economy is increasingly vulnerable to decisions made far away.

In 2005, Congressional opposition scuttled a bid by the state-owned Chinese energy company Cnooc to buy the American oil company Unocal. The following year, furor on

Capitol Hill prevented DP World, a company based in the United Arab Emirates, from buying several major American ports.

No such outcry has greeted the purchase of stakes in major Wall Street banks by state investment funds in the United Arab Emirates, Kuwait, China, Singapore and South Korea. This is largely because the banks sold passive slices and ceded no formal control, which would have set off a federal review of the national security implications. But the silence also reflects the imperative that these enormous institutions swiftly secure cash.

"It would be good if these companies didn't need all this capital and better if the capital was available in the United States," said Senator Charles E. Schumer, Democrat of New York, who was a vocal opponent of the DP World deal. "But given the situation that these institutions find themselves in and the fact that there's a pretty strong credit squeeze, there's only two choices: Have foreign companies invest in these firms or have massive layoffs."

In years past, particularly when Japanese money washed in, many foreign purchases proved not to be so prudent in the end. This time, with the dollar weak and troubled American companies in a poor bargaining position, the prices really do seem cheap, some economists say.

"They're buying financial assets at well under book value," said Gary C. Hufbauer, a trade expert at the Peterson Institute for International Economics.

Trade experts assume tensions will rise as developing countries — which tend to have more state companies — continue to expand their share of investment in the United States.

Canada still spends the most money buying stakes in American companies — more than $65 billion in 2007, according to Thomson. But other countries' purchases are growing rapidly. South Korea's investments swelled to more than $10.4 billion last year from just $5.4 million in 2000. Russia went to $572 million from $60 million in that span; India to $3.3 billion from $364 million.

But even if political tension increases, so will the flow of foreign money, some analysts say, for the simple reason that businesses need it.

"The forces sucking in this capital are much bigger than the political forces," said Mr. Garten, the Yale trade expert. "If there is a big controversy, it will be between Washington on the one hand and corporate America on the other. In that contest, the financiers and the businessmen are going to win, as they always do."

The regulatory economies of the world are the REAL success stories of the global economy. The hands-off approach is now redundant, Kevin, surely even a Queenslander should be able to understand! Either ACT in the interests of the nation and its people or pay the price for inaction. There is no time to lose!

http://www.nytimes.com/2008/01/20/business/20invest.html

Cleaves Alternative News. http://cleaves.lingama.net/news/story-888.html