

Marketing of hope: buying the president

COMMENT

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SPECIAL TO THE EPOCH TIMES

UTOPIAS have a habit of tumbling down in the long-run, falling foul of brutal realities and nasty predicaments. In the short-run, they resonate with a pop-like glow, mesmerising crowds narcotised on slogans and promises. Regarding the inauguration of the 44th president, "hope" has become a market slogan, with "change" purring in its motor.

The market has moved in with vigour to capitalise on Obama's incipient presidency.

ever going to happen, assuming that utopia wasn't itself a marketing ploy. The genius of the Obama campaign was an uninterrupted sequence of sloganeering that would have made GM and PR personnel envious.

It certainly did that to the stunned Republicans, who had, for years, spent time promoting Bush as simply a man with an image problem for many Americans. Besides, let him be hated, as long as he is respected, the mark of the truly desperate.

In terms of marketing, Bush also brought in the cash, at least for the tourist vendors populating stores from Manhattan to Karachi. Even those who despised him would happily feed the American (and global) economy with Bush merchandise, drowning it with books of his jokes (that is, his mis-quotations), mumbblings, and anti-war placards.

Obama, at the inauguration, has already become a label for American consumers. Utopia, or at the very least the message of hope, moves from the high-sounding rhetoric of office to the home for the everyday American.

Are people being too casual about this event? Millions clogging Washington, DC would suggest otherwise. Are they neglecting the seriousness of it all in parting with their cash for a doll? That all might well be, though most won't look at it that way. To lift the American presidency, and the man, Obama, beyond the fold, into rarefied air, is not something that is bound to happen.

America has, since its inception as a nation of grand consumers, revelled in commodifying dreams. Besides, as one correspondent for the *Seattle Post-Intelligencer* wrote, "the incoming president may very well lead to some economic stimulus" (January 18th). And much more.

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FOR SALE: Dolls featuring US president Barack Obama and his family celebrating the win at the United States presidential election on November 4th

A system on the brink: how to fix the banks

COMMENT

PETER MORICI
SPECIAL TO THE EPOCH TIMES

FOR every new president, campaign promises and inaugural idealism must give way to the hard choices that measure the mettle of their leadership.

Now Barack Obama must act pragmatically to fix the banks or the economy will sink under their weight.

Banks continue to suffer losses on bonds backed by failing mortgages, credit cards and car loans, and questionable corporate debt. To assist, the Treasury has used TARP funds to purchase capital in healthy and deeply troubled banks alike; however, no one can calibrate how high bank losses will go, because no one knows how far housing prices will drop and how many loans will ultimately fail.

The Obama Treasury could put a floor under bank losses, through government guarantees on their bonds, or by

creating an aggregator bank that purchases those securities from banks altogether.

Guarantees would give the banks profits on bonds whose underlying loans are mostly repaid, and shift to taxpayers losses from those bonds whose loans are mostly not repaid. That would require additional large subsidies from taxpayers to the banks.

An aggregator bank, however, could turn a profit. It could purchase all the commercial banks' potentially questionable securities, at their current market to market values, with its own common stock and funds provided by the TARP. Then the aggregator bank could balance profits on those securities whose loans pan out against losses on securities whose loans fail.

An aggregator bank could perform triage on mortgages. It could work out those whose homeowners can be saved with some adjustments in their loan balances, interest rates and repayment periods;

foreclose on mortgages whose homeowners could not meet payments with reasonable concessions; and leave other loans alone.

Commercial banks acting alone cannot accomplish triage as effectively, because individually they can have little effect on how much housing values will fall. In contrast, an aggregator bank, holding so many mortgages and working in co-operation with Fannie Mae and Freddie Mac, could have a salutary impact on housing values. It could put some breaks on falling home prices.

Beyond toxic securities, policymakers need to fix what got banks into this mess. The 1999 repeal of Glass-Steagall permitted the creation of financial supermarkets, like Citigroup, that combined commercial banks with investment banks, brokerages, and the bizarre universe of hedge and private equity funds.

Those nonbank financial firms are run by salesmen and financial engineers that don't understand long-term commitments as bankers to borrowers

with solid incomes and sound business plans. Investment bankers, securities dealers and fund managers, essentially, get paid commissions on sales and for betting other people's money on arbitrage opportunities. They put together people that have money with those that need money, and those people that can't bear risk with those that can.

In contrast, commercial bankers, historically, had skin in the game – bank capital and a fiduciary responsibility to depositors. They were paid salaries, not commissions on the volume of loans they wrote or bought from mortgage brokers to package into bonds. They expected to be fired if their loans prove imprudent.

To investment bankers and securities dealers, it does not matter how risky a loan is, because they can always bundle it into a bond to sell it off or insure it with a swap. That's nonsense, as we have learned. Adopting that thinking, commercial banks got stuck with too many loan-backed bonds and buying swaps that were not backed by adequate assets.

Commercial banks need to be separate and more highly regulated. The ongoing process of breaking up Citigroup and placing its banking activities into a separate entity should be replicated at other Wall Street and large regional banks.

Freed from toxic assets and the complications of affiliations with financial institutions having other agendas, commercial banks could raise new private capital and make new prudent loans as President Obama's stimulus package lifts consumer spending and business prospects.

Such approaches would disappoint those who champion unbridled free markets but Wall Street's financiers have abused the opportunities offered them by deregulation to the peril of the nation.

President Obama needs to craft solutions that address the world as he finds it not as intellectuals tell him it should be.

Peter Morici is a professor at the University of Maryland School of Business and former Chief Economist at the US International Trade Commission.

Airport plan urges building a mountain in flat Berlin

BERLIN (Reuters) - What should be put on the site of a massive Nazi-built airport that once helped save West Berlin from the Soviets? Housing? Museums? A red light district? No, it needs a phantom mountain, says architect Jakob Tigges.

After years of debate over its future, the Berlin state government decided in November to turn a big chunk of the airfield into a 250-hectare park, but locals like Tigges are still hotly disputing how best to protect the iconic site.

Tigges' tongue-in-cheek plan for a 1,000 metre-high mountain was one of 80 proposals entered into an international competition over how to develop an area on the edge of the future park. A winner is due to be announced in May.

"I chose the idea of a mountain precisely because it can't be done. Instead it'll awaken people's imaginations," he said.

Tigges said Berlin risks ruining the central landmark where the Western Allies staged an airlift to defy a Soviet blockade in 1948/49 – and hopes his vision of a mountain for the overwhelmingly flat city will give developers pause for thought.

"We can't lose this site that's got so much cultural and symbolic meaning just for more of the same old, mediocre housing development," said Tigges.

Dubbed "the mother of all airports" by British architect Sir Norman Foster, Tempelhof was the world's first airport with regular passenger flights in 1923. But as the smallest of three Berlin airports and running at a loss, it was closed in October.

The site, which is almost as big as New York's Central Park, has long had a strong hold on the emotions of Berliners. Chancellor Angela Merkel was among those opposing its closure.

A number of locals lobbied hard for US President Barack Obama to speak in Tempelhof when he visited the city last July before his election. In the end he did not speak there, but made several references to the Berlin airlift during his address.

Polo is big business in Argentina despite slowdown

BUENOS AIRES (Reuters) - As eight horses and riders galloped in pursuit of a wooden ball one recent afternoon, US movie director Robert Duvall rubbed shoulders with Argentine former soccer star Gabriel Batistuta.

The celebrities were on hand to help promote a multimillion dollar project aimed at capitalising on Argentina's position as the world's top destination for polo, a game that could be described as field hockey on horseback.

Argentina has dominated the sport for decades, but development really took off in the last few years after a currency crisis in 2001 and

2002 made it cheaper for foreign players to come here to play.

Now, the global financial crisis has thrown some of these projects into question as even the super-wealthy, who make up most of polo's players and spectators, tighten their belts.

Adolfo Cambiasso, widely recognised as the world's top player, is undeterred by the economic slowdown as he promotes the latest project with a game at his private ranch in November, attended by Duvall, Batistuta and other celebrities.

Cambiasso's plans call for ground to be broken later

this year on a polo village in which each home will have its own polo field and stables, right next to his own ranch in the city of Canuelas, outside Buenos Aires.

"Here in Argentina it is easy to practise and play because we have the horses, the land, the players – everything," said Cambiasso, who already has his own line of polo clothing.

Another project is the Culu Culu Polo Resort backed by about US\$80 million (£55 million) from Dubai-based hotel operator Jumeirah Group, which is set to open in the town of Lobos within the next two years.

It includes a polo hotel and private residences built around eight polo fields, which typically are around 300 yards (274 metres) long. Four-bedroom houses will go for more than \$2 million.

"Our targeted public is still living the way they always have despite the crisis. It's not that they mind losing money. But there is always a public for a high quality product like this," said Chief Financial Officer Carlos Urriza.

First played in Asia centuries ago, polo was westernised by British colonialists in India. At a furious pace, two teams of four people, each on horseback, use long mallets to

knock a wooden ball between two posts to score goals.

It has been long embraced by elites in Europe, the United States and parts of Asia, and has seen its popularity grow in recent years in China, South Africa, Japan and Australia.

But Argentina, where it was introduced in the nineteenth century by the British, is its undisputed centre, home to polo's premier tournament, the Argentine Open Championship, and most of the sport's top players.

England's Prince Charles and Prince Harry played polo during visits to Argentina in recent years. Actor Tommy

Lee Jones, a polo enthusiast, owns an Argentine ranch and makes an annual trip to fine-tune his game and buy horses.

In the recent boom, many Argentine players have sought to build off the country's rich polo tradition, breeding and selling polo ponies, with some of the best going for more than \$50,000. Others have turned to making polo-related goods like saddles or clothing.

Polo tourism has developed on a smaller scale in South Africa and India, but Argentina is out to glamorise a polo lifestyle on the country's famed Pampas grass-

lands alongside the world's best players.

The big-ticket projects target polo fanatics and experienced players who travel the world to see and play the sport.

Many of the top teams are funded by patrons who spend hundreds of thousands of dollars, if not millions, on horses and players, flying them around the globe to compete in tournaments.

Argentine executives say they hope the new projects will appeal as an attractive investment for the wealthy at a time of financial uncertainty.

They play up Argentina's distance from any global con-

flicts or terrorist threats and say as far as ultra-luxury real estate investments go, prices remain relatively affordable.

"We are the cathedral of polo, and many people understand that offers business opportunities," said Urriza of Jumeirah Culu Culu Polo Resort.

Clive Reid, the managing director of a trading company based in London, was among those who travelled to Argentina for polo despite the economic downturn.

Polo in Argentina is a way of life, he said. "If you ask anybody where are the best horses, the best players, they would say Argentina."

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