

Won't get fooled again

Once again, World Finance quizzes the experts on issues of the day

What do you think the future holds for the remnants of GM?



PETER PUGH, author, Keynes: The Graphic Guide

It would be better for GM to be closed in spite of the heavy short-term penalties. As is clear in the excellent book, *Introducing Keynes*, the great man thought it better to pay people to dig holes and then pay others to fill them in again rather than have them standing idly by. However, there must be better holes to dig than producing gas-guzzling cars that no one wants and which actually do harm to the planet.



ALASTAIR SORBIE, CEO, IFS

Following the restructure of Chrysler it seems likely that GM's restructuring plan is likely to get approved. This is great news for the US automotive industry, as the demise of GM has the potential to be disastrous for the US economy. It's clear that automotive giants need to shake the dinosaur image and adapt different business challenges if they are to initially survive.



DEIDRE KENNY, Partner, CTPartners

The only sure prediction is that Old GM will represent a mini-boom for the lawyers, accountants and other specialists who will help dismantle the remnants.

What do you make of the short-selling ban?

I don't like it. Short selling is a good market mechanism for establishing the right price and it's not without risk as was found out recently when the Germans went short of VW.

It is becoming increasingly clear that regulatory regimes need to be developed, harmonised and above all, clearly communicated across the entire global financial community. Cross-border work can be challenging and costly at the best of times, particularly if you manage assets, therefore it has never been so important for regulators to have a consistent approach.

Circuit breakers don't work to stabilise real prices, however the focus on short-selling has highlighted how stock lending may not be to the ultimate benefit of the institutions providing the shares.

Soccer spending: fair amounts for true talent or bad for cash flow?

It's certainly bad for some people's cash flow if the talent does not bring the results and therefore the income. It is a fair business risk though it does reduce the element of competition in the top leagues.

It seems football spending in the game is out of control and increasingly out of touch with the global economy. When Real Madrid can loan the £80m to buy Ronaldo from Spanish banks and yet the same banks are reluctant to loan money to struggling SMBs – a reality check is in order.

In the executive search business, our advice is to understand the risk/reward potential of a star hire very carefully. Firms need to be very clear on what makes this individual a success and make sure they are prepared to create a similar playbook around those skills.

What do you make of the 30 year US Government bond?

No comment.

In May I know there was growing scepticism about the ability of the US government to maintain its AAA rating as an investment prospect. It would seem this worry has been somewhat eliminated by the solid results of the auction in June.

With defense and stimulus spending at record levels, there's a lot of "quality" government paper oversupply in the market. The government will have to put on a strong sales pitch to maintain investor interest.

Here's €10,000. Where's the next bubble coming from?

Oil.

Green technology. With a surge in regulation and need to cut costs, the technology that helps manage compliance is now available and a no brainer for companies of all sizes.

It's time we stop talking about fast money. For real return, I'm a believer in actively managed funds with proven investment teams.