

>: **How to Destroy Your Child's Financial Future (and Yours)**

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WHEN THE JAPANESE DID IT TO US IN THE 80s, IT WAS DIFFERENT.

At the time, they were buying up American assets like a drunk lotto winner buying former co-workers drinks at Happy Hour.

Hollywood powerhouse Columbia Pictures. New York landmark Rockefeller Center. You name it, and it seemed like the Japanese were going to buy it.

It got to the point where every time a New Yorker saw Japanese tourists taking pictures of buildings, we wondered if they were going to buy them. That's how utterly unstoppable the Japanese moneyed-class seemed to us when they hit Manhattan.

But as history proved a decade later, American investors were smarter than that. Much smarter than that.

They weren't giving away prized American assets on the cheap. Quite the contrary - they were selling these assets for twice what they were worth.

So what happened?

Almost everything the Japanese bought during the 80s, Americans bought back in the 90s - for pennies on the dollar.

What my young friends and I learned was that at the end of the day, it wasn't about Japanese v. American. It was about smart investors versus dumb investors. And by the mid 90s, it was clear who got the worse end of the stick.

Fast forward to today.

Once again, foreign investors are buying up critical American assets. But there is a big difference this time. And the consequences for America's long-term health are frightening.

Let me explain.

As you've been reading about in the financial press, big money investors from Asia and the Middle East have been picking up American assets left and right.

But this time, they're not overpaying for these assets. Not with the DJIA trading at 14 times 2008 earnings. Nope, they're not overpaying at all.

In fact, they're plowing billions into brand-A companies like Citigroup and Morgan Stanley at huge discounts to historical value.

That's right. This time, Asian and Middle Eastern investors are showing us how it's done - American style!

Take Citigroup, for example. The Abu Dhabi Investment Authority (ADIA) just bought 5% of the entire company. Not only did they buy it on the cheap, but it means that ADIA has a future claim on 5% of all Citigroup's earnings.

Think about that for a moment: 5% of Citigroup's earnings will leave American hands and move overseas.

Is this a bad thing? It certainly can be. Just think about it...

During the next financial crisis, foreigners will buy another 5% of Citigroup. And the one after that, they'll buy 10% percent. And on and on and on until at some point - perhaps in 50 or 100 years - foreigners will own 80% of all the profits generated by our great American companies!

Think that's impossible? Think again.

How do you think the empires of France and Great Britain collapsed in the 20th Century? After two massive wars, they were so bankrupt, they couldn't afford to keep their Empires. Before you knew it, they were borrowing billions of dollars from us, the Americans. And that catapulted us to the number one position globally.

But the fact that Britain and France went broke was understandable. They had to deal with a nutjob lunatic like Adolf Hitler, and they didn't have a choice. They had to fight for their very survival. And fighting for their survival meant borrowing a lot of money from us.

In our case, we have the same problem. We're going broke also.

But the reason is what's embarrassing. Instead of like a great challenge Hitler-Style, our wounds are self-inflicted: Americans are in debt because

they have this bizarre need to keep up with the Joneses. So we put ourselves into debt to buy a new car. Or a new home. Or the latest fashions.

The good news in having these new investors provide billions of dollars of capital into firms like Citigroup is that the American economy keeps humming.

Let me explain:

Economic expansions and bull markets happen because banks lend aggressively. Economic contractions (recessions) and bear markets happen when banks take such huge losses that they have to stop lending.

In short, when banks stop lending, the economy grinds to a halt.

And that's what would have happened here as Wall Street took billions of dollars in write-downs in the wake of the subprime collapse. Banks would have definitely stopped lending.

But something unique happened for the very first time: banks were provided billions of dollars in capital from foreigners.

So instead of stopping all economic activity, banks like Citigroup can keep pumping money into the economy.

And make no mistake about it - that's a good thing, at least in the short term.

In the long term, though, we continue our inevitable march toward creating a sharecropper society. A society where we all work hard for farms that we simply don't own.

Until next week ...



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