

Bailout Brings Dumping Danger

WANNA buy a property cheap? I mean, for \$40,000 you could buy a property that was worth \$100,000 only a year ago, and may be worth that again soon. Maybe you could buy it for \$30,000 if you bargain hard. Hold out, and perhaps that price would drop to a low, low \$25,000.

That's the kind of deal you could get from the Resolution Trust Corp. in the early '90s. You remember the RTC? It was created in the midst of the savings and loan implosion. The RTC is often



COMMENT

CHARLES CRUMPLEY

credited with clearing out the smelly air, but it is also blamed as engineering one of the greatest wealth transfers in history. It essentially took properties that had been foisted onto taxpayers and dumped them, sometimes for pennies on the dollar, to those shrewd enough to recognize a bargain.

The reason I bring up the RTC is that the federal government seems destined to repeat its RTC mistake with the so-called Wall Street bailout. After all, it's pretty much the same situation: The government will acquire a huge number of properties and other assets and sell them back to the private sector.

I know they say they won't dump properties, but that promise is about as good as the one from presidential candidates who vow not to go negative.

After all, the government has close to zero incentive to hold onto properties and make a slow, orderly sale. It has every incentive to unload them quickly. The problem with dumping properties, such as houses, is that they drive low prices even lower. And the low prices attract not just those who want to live in them but scads of speculators who want to rent them out. Or just sit on them and wait for the rebound.

Southern California is particularly vulnerable to house dumping. This place is becoming the Grand Bazaar for foreclosed properties. And last time around, thanks to the RTC, the Inland Empire was particularly hurt.

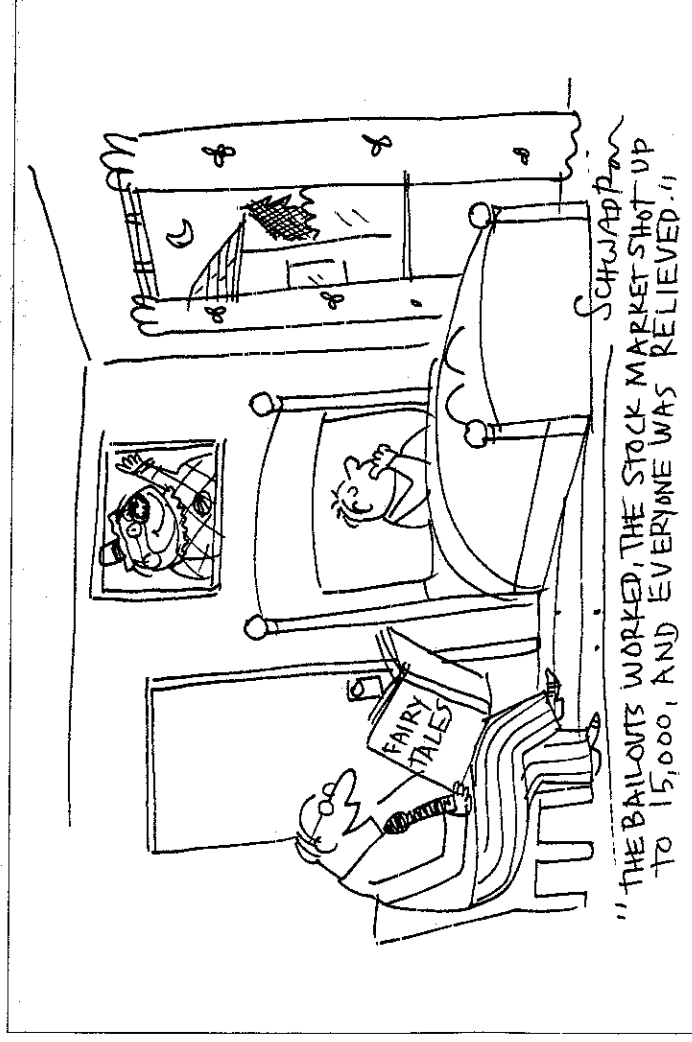
Patrick Morris, the mayor of San Bernardino, was quoted in the Wall Street Journal last week saying that after the S&L crisis, "Our city was so impacted by the drama that we moved from a city of owner-occupied homes to a city of renters."

That's why a variety of officials in the Inland Empire are supporting a bill that would allow businesses and local governments to buy up some of the properties that will fall to the Treasury Department under the bailout plan, according to the same article. It's a little hazy about how it would work, but the aim would be to let local private-public partnerships have more control over

the disposition of properties. That way, they could head off a crippling fire sale.

There are many things not to like about the several bailout plans: the failure to neutralize the ruinous mark-to-market accounting rule (which would cost taxpayers close to zero); the reliance on asset purchases instead of loans; and the government taking equity stakes in businesses. (On that last point, just wait for congress members to shout, "Not in my district, you don't!" when a business tries to sell a doggy unit or lay off employees.) But the worst one for the Southland is the possibility of a government-orchestrated house dump accompanied by low, low prices that speculators can't pass up.

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LABJ FORUM

Bon Appetit

► GREG DAVIS

*U.S. General Manager
Total Immersion*

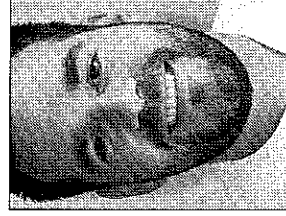
The trend goes toward transparency and disclosure. This is good because obesity is an issue that we have in this country and we have a lot of Americans that eat fairly mindlessly. This is sort of a good checkpoint to have some visibility on what they are eating and to be more conscience about that consumption. I think that the ones who are really against this are the proprietors of the chain restaurants.

California recently became the first state mandating chain restaurants to include calorie counts on their menus. So the Business Journal asks:

► JOSEPH MAHON

*Executive Chef
208 Rodeo*

We're in the information age so it's just a natural extension about people wanting to know everything there is to know. But I feel that it's not really going to influence the customer's decision on what they're going to eat. I don't think people want a calorie count when they go out to eat because they just want to enjoy a nice meal, the ambiance and the people they are with. It's going to take more than just a calorie count to stop the obesity in our society.



Mahon

► BRAD HALEY

*Executive Vice President of Marketing
CKE Restaurants*

In general it's something we have every intention of complying with. These kinds of issues have been cropping up on a city or county-by-county basis. But it will ultimately limit the variety consumers can view on menu boards for those customers going through the drive-through, which is an unfortunate thing for consumers. I, myself,

What do you think of the calorie-count law?

don't count calories. I kind of just look in the mirror and if I don't like what I see then I exercise and manage what I eat.

► JONATHAN SHIBATA

*Banking Center Manager-Assistant Vice President
Comerica Bank, Marina del Rey*

Personally, I think it's great. I try to watch what I eat anyway, so this law will definitely help. I may start to frequent those restaurants that highlight their low-calorie menus.

► TAMMY MESCOBI

*Director of Media & PR
NSBN LLP*

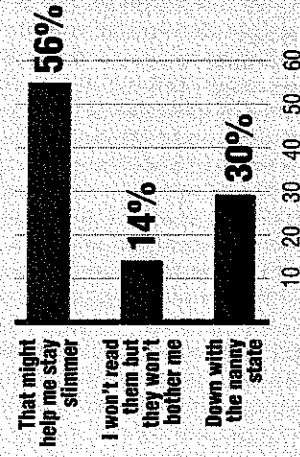
Restaurant customers have a right to know more information about what they eat. This law may also encourage restaurant owners to offer healthier menu options, which creates a win-win situation. Calorie count information on restaurant menus is going to change the way consumers are going to order food as we evolve toward a health-conscious society.



Mescobi

Los Angeles Business Journal Poll

What do you think of the state law mandating calorie counts on chain restaurant menus?



Online results for week ended Oct. 6

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