Penelope Moneypenny has resigned as finance minister.

The Russian Federation has formally accepted US offers to exchange prisoners in return for the return of US dollars.

The US economy continues to grow at an annual rate of 3.5%.

The New York Stock Exchange has suspended trading.

The European Union has imposed new sanctions on Russia.

The International Monetary Fund has raised its forecast for global growth to 4.0%.

The Organization for Economic Co-operation and Development has lowered its forecast for the global economy to 2.5%.

The World Health Organization has declared a global pandemic.

The United Nations has imposed new sanctions on North Korea.

The International Criminal Court has issued an arrest warrant for the leader of the drug cartels.

The European Central Bank has raised interest rates to 2.25%.

The International Court of Justice has ruled in favor of the plaintiff.

The World Trade Organization has ruled against the plaintiff.

The International Olympic Committee has announced the 2024 Olympic Games will be held in Paris.

The International Space Station has completed its 10,000th orbit.

The International Peace Conference has ended with a declaration of peace.

The International Court of Justice has ruled in favor of the defendant.

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Law firms have stricken the limits of partnership

John Gapper

It is to see a veritable partnership directors of Dewey & LeBoeuf, the New York-based law firm, working with the chairman and deputy governors for monetary policy at Threadneedle Street. A few days later, the chairman of the Bank of England, Mervyn King, announced that he would step down in May, a year earlier than planned. His deputies, the deputy governors for monetary policy, Andrew Haldane and Paul Tucker, have both indicated that they would like to stay on. Here is a law firm that has been restructured and reconstituted under a philanthropic ethos. Yet do not only did it fail (diabolically) in the last financial crisis, it failed for yet another reason.

Leverage comes in various forms and Dewey was all of them

Dewey was the biggest law firm to fall off a financial cliff in the crisis. It used a complicated multi-tiered governance structure that awarded 100% of new equity payments to the top tier of equity partners, many of whom were also owners of the firm. The rest of the law firm, including associates, paralegals and trainees, were paid more like lower-octane firms – the Deweys of the legal world.

A law firm has to be run as a business. It is not run under by autonomous bank managers, and the partners or equity partners at the top 100 US law firms, such as Dewey & LeBoeuf, have to be persuaded to pay their bills and their clients on time.

Leｖerage isn’t only found in a quantitative financial sense. It is also found in the qualitative sense of the industry it leaves behind – the legal sector has been a gilded name in New York corporate circles for decades, but no one expected it to be so unsustainably unsustainable.

The name of this law firm is Dewey & LeBoeuf, the New York-based law firm, that has become a symbol for the latest global financial crisis.

Dewey & LeBoeuf was founded in 1907 by Dewey Husted and LeBoeuf Joseph. The firm grew rapidly and became a symbol of the American legal profession. However, in 2010, the firm filed for bankruptcy, becoming the largest firm to do so at that time.

The legal world was shocked when Dewey & LeBoeuf announced that it was unable to pay its debts. The news sent shock waves through the industry, with other law firms and clients cutting ties with the firm.

The firm had struggled with financial problems for some time, with reports of mismanagement and internal conflicts. The failure of Dewey & LeBoeuf highlighted the risks of high leverage in the legal industry, where the partnership model can lead to excessive risk-taking.

Dewey & LeBoeuf's failure also raised concerns about the future of the legal industry and the impact of high leverage on law firms. The case sparked a debate about the need for regulatory changes to prevent similar failures in the future.

The failure of Dewey & LeBoeuf also raised questions about the role of the Bar Council in regulating the legal profession. Critics argued that the Bar Council had failed to adequately supervise the firm and ensure its financial stability.

In the wake of Dewey & LeBoeuf's failure, the legal industry is facing a significant shake-up, with a number of changes expected to be implemented to address the issues raised.

The lessons from the Dewey & LeBoeuf failure are clear: high leverage can be risky, and law firms and other businesses need to be careful about the level of debt they take on. The legal industry needs to learn from this experience and take steps to prevent similar failures in the future.
The only way to contain the contagion of a Greek exit

Lorenzo Bini Smaghi

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The recent elections confirmed that the Greek authorities never blinked and, just like the rest of the eurozone, continued to assert their sovereignty. But can they contain the consequences?

If people demand an overhaul of the eurozone, then the Greek authorities have to be a model, not a case study. But there are signs that the Greek authorities have given up trying to contain the contagion and have changed their strategy. They have abandoned the technocratic approach that was successful in the past and have adopted a more political one. This is a mistake. The authorities need to act faster and more decisively.

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It is too late for America to eliminate Huawei

John Gapper

T he race between China and the US to dominate the telecoms equipment industry is reaching a moment of truth. 

By the end of this year, a Chinese company may be poised to sell more telecoms equipment than any other in the world. It is a stunning shift that will not only change the landscape of the global telecoms industry but also weigh heavily on US-based companies that have long dominated the market.

The Chinese company in question is Huawei, which has become a lightning rod for US concerns about national security. The US government has repeatedly blocked Huawei and another Chinese company, ZTE, from securing contracts to build 5G networks in the US. Last month, the US government blacklisted the two companies, effectively banning them from doing business with American suppliers.

Huawei has denied any wrongdoing and says it is not controlled by the Chinese government. The company has also pledged to cooperate with US officials to investigate any suspicions of wrongdoing. But the US government has refused to back down, and the battle over Huawei is likely to continue for some time to come.

The US government's concerns are not misplaced. Huawei is a major player in the global telecoms industry, and its technology is used by many of the world's largest telecommunications companies. The US government is concerned that Huawei could be used by the Chinese government to seize control of the US telecommunications infrastructure.

But the US government's approach to Huawei is not without its critics. Some argue that the US government's actions are motivated more by political concerns than by any real evidence of wrongdoing. Others argue that the US government is simply trying to protect American companies from Chinese competition.

The US government's actions have also had a significant economic impact. The blacklisting of Huawei has forced many American companies to cut ties with the Chinese company, leading to job losses and economic disruption.

Despite these challenges, Huawei remains a formidable competitor. The company has made significant investments in research and development, and its technology is widely regarded as being on par with that of its American competitors. The US government's actions against Huawei may have stymied its growth in the US, but it is unlikely to slow the company's overall progress.

The lesson from this story is that the US government's approach to Huawei is not a one-off battle but a broader challenge to China's rise as a global economic power. The US government's actions are emblematic of a broader trend of protectionism and nationalism that is sweeping the world. This trend is likely to have significant implications for the global economy and for the future of the US-China relationship.

The US government's actions against Huawei are a warning to other companies that are considering doing business with China. The US government's actions may also set a precedent for other countries that are concerned about the rise of China.

The US government's actions against Huawei are also a reminder of the complex and multifaceted nature of the US-China relationship. The relationship is not simply a matter of trade and economics, but also of security and strategic concerns. The US government's actions against Huawei are a manifestation of these concerns, and they are likely to have a lasting impact on the relationship between the US and China.
HP should have known all about Autonomy

By John Gapper

It was no secret that some analysts and investors suspected the UK software company of flattering its figures.

Things got quite exciting in London at noon on Tuesday. First Kweku Adoboli, the rogue trader formerly employed by UBS, was sentenced to seven years in prison for fraud. Then Hewlett-Packard accused the former management of Autonomy, the UK software company, of wrongdoing. The moral appeared to be, as a New York journalist wryly tweeted: “Don’t trust the British.”

Hold on a minute, though. This is HP we’re talking about, a company that has a sorry record of overpaying for acquisitions and then writing off most of the value shortly afterwards. If Autonomy inflated its value in its $11bn sale to HP last year, which it firmly denies, it was bought by the world’s biggest deflater.

As Meg Whitman, HP’s latest chief executive, disclosed a writedown of $8.8bn on the Autonomy deal, she made it sound like a unique scandal. But three months ago, she wrote down $8bn on its $13.9bn purchase of Electronic Data Systems in 2008. Not even that collapse matched Léo Apotheker, her predecessor, who wrote off more than the $1.2bn HP had paid for Palm in 2010.
With management and accounting like that, it is surprising HP has a balance sheet left. Indeed, the EDS writedown triggered a revaluation of its other assets that contributed $3bn to the Autonomy kitchen-sinking. This cascade took $20bn of goodwill and intangibles off its assets this year – almost matching its $23bn market capitalisation.

Even in a world where mergers and acquisitions are risky, and big companies struggle to make them work, this is remarkable. As any shareholder might ask – and many do – what is going on?

The initial temptation – one encouraged by HP – is to blame Autonomy for the debacle. But although it bears plenty of responsibility for what occurred, it isn’t the entire story. In many ways, Autonomy and HP were natural partners in an industry that is prone to wild misvaluation.

One reason is that Silicon Valley companies, and now those from London’s Silicon Roundabout, have always lived or died by growth. Venture capitalists fund software and internet companies on the promise of rapid growth and high margins. When growth slows, as it has for HP, they have an identity crisis.

The temptation, indulged by HP’s various chief executives over the past few years, is to restore it by buying high-growth companies at inflated prices to tack on to mature operations. Autonomy was a classic example: Mr Apotheker paid an eye-watering premium in an effort to shift HP from hardware.

It is also relatively simple to inflate the value of software companies with sharp accounting. “There is more scope for abuse because you can press a button and record a sale at almost zero cost,” says Paul Morland, a technology analyst at Peel Hunt in London. “In other businesses there tends to be more involved, like making and delivering something.”

Mike Lynch, Autonomy’s founder and former chief executive, insists that HP is making baseless charges and that it spoiled his business after buying it. But the tactics HP accuses Autonomy of using – for example, prematurely recognising the lifetime value of a software licence sale – have been employed by others.

In some extreme cases, that has led to fraud charges against those involved. Seven senior executives of Computer Associates, the US software company, were jailed in 2006 for fraud and obstructing justice after massaging their results by recording sales made in one quarter in an earlier one.

In other cases, companies manage to test the boundaries of accounting practice without breaching any rules. HP has handed its complaints about Autonomy’s former senior managers to the Securities and Exchange Commission in the US and the Serious Fraud Office in the UK, and those bodies will decide.

The mystery is why HP, and the advisers that handled the deal, did not dig deeper in the
first place. It was not a secret that some analysts and investors thought Autonomy was flattering its figures. “When the deal was announced, I wrote to HP telling them they were making a big mistake,” says Mr Morland. “I never got a response.”

Jim Chanos, founder of Kynicos Associates, a US hedge fund, told investors in 2009 that Autonomy was hiding weaknesses in its results by buying companies and adding their revenues to its own. Autonomy “appears to have consistently overstated revenue and grossly understated expenses as part of its acquisition strategy”, he wrote.

Yet Autonomy’s reported record of vibrant software sales and high margins made it a tempting target for HP under the growth-hungry Mr Apotheker. Mr Chanos was also critical of HP, describing it last year as “a tech roll-up whose constantly changing management team has wrecked the balance sheet”.

That was his view even before Ms Whitman went on the balance sheet writedown spree of the past few months. It does not encourage much faith that HP has changed its ways since she replaced Mr Apotheker. Whatever the merits of her case against Autonomy, it was a timely distraction from HP’s own operational weaknesses.

Ms Whitman, who sat on the board of HP when it approved the purchase of Autonomy, is trying to remodel her company into something more stable and better under control. She talked to analysts last month of providing “a steady hand on the tiller” and of halting HP’s tendency to keep changing strategy.

She has used some pretty punchy accounting methods herself to write off HP’s past acquisition errors and false hopes. With those taken from the balance sheet, it needs time to rebuild. A good start would be to stop acquiring exciting-looking growth companies.

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