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US corporate governance looks very bad indeed

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PRIME Minister Datuk Seri Dr Mahathir Mohamad was critical of the lazy way of concluding that the stock market index is indicative of the level of corporate governance in Malaysia.

He pointed out that the Dow Jones too had fallen and suggested that this indicates bad corporate governance in the United States.

It is interesting to note that over the last 12 months the Dow Jones index had fallen so much that it wiped out some US\$4.6 trillion (RM17.48 trillion), equal to four times the wealth wiped out in the 1987 crash.

The US\$4.6 trillion is equivalent to 50 per cent of the gross domestic product (GDP) of the United States.

If Japanese investors sell their American assets and repatriate the funds, the US dollar will depreciate very sharply as there would be an outflow of US\$350 billion in Treasury bills, a few hundred billion worth of bonds and other stocks and US\$150 billion of foreign direct investments (FDI) in the US.

Some 550,000 Americans would be thrown out of work.

Truly, it is unsafe to invest in the US or should we say US corporate governance is very bad indeed.