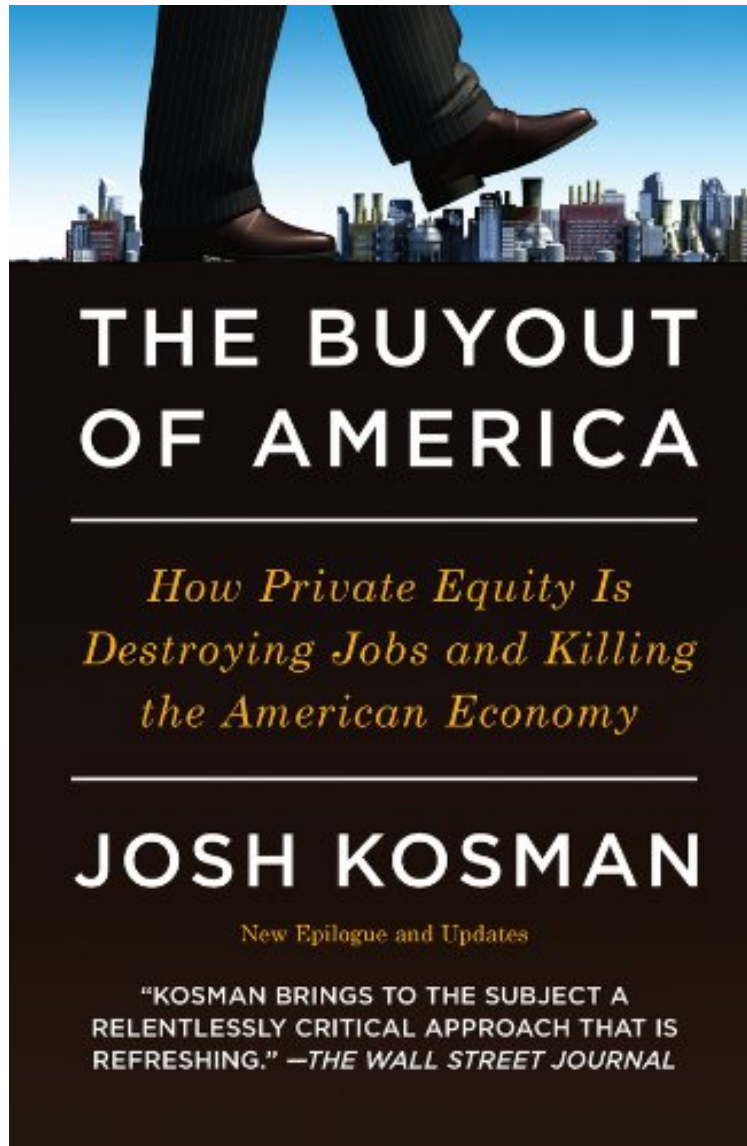


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The Buyout of America: How Private Equity Is Destroying Jobs and Killing the American Economy

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Josh Kosman : The Buyout of America: How Private Equity Is Destroying Jobs and Killing the American Economy before purchasing it in order to gage whether or not it would be worth my time, and all praised The Buyout of America: How Private Equity Is Destroying Jobs and Killing the American Economy:

2 of 2 people found the following review helpful. Monster Power Relatively UncheckedBy George FulmorePrivate

Equity (PE) firms have been in the news a great deal of late, especially with the candidacy of Mitt Romney for president. This book does a good job in explaining how the PE firms operate, their history, what risks they take, and how their efforts might be minimized and/or controlled by government. Details of some of the largest PE takeovers are covered. In short, the book is a good overview for readers who want to know more about Private Equity firms. I recommend it. PE firms are not Hedge funds. Those take investor money and invest it in a variety of schemes to increase the value of the money in the fund and for the investors. PE firms are not venture capitalist firms, either. Those entities invest in companies with the goal of making them stronger and increasing their worth, without the need of excessive debt acquired in the process. Private Equity firms, in contrast, put down cash, usually no more than 30-40% of the purchase price of the acquired company, to acquire a company. The company, itself, finances the rest of the money required for the purchase. Within five years, the Private Equity firm plans to sell the company. Frequently, it sells to yet another PE firm. For PE firms the whole exercise is to make money. Pure and simple. The more the PE firm can sell the acquired company for, or pull out of the company before it is sold, the better. Neither the long-term success of the company nor the status or future of its workers are much of a concern for the PE firm. In the 1990s, the PE industry was known for "leveraged buyouts." Per the book, the industry simply changed its name to "private equity." PE was red hot in 2007, growing substantially from the beginning of that decade. Some of the big names were the Blackstone Group, the Carlyle Group and Bain Capital. In 2007, PE buyouts totaled nearly \$500 billion. The big banks loved it. They made tons of money from fees on the loans PE took out to finance takeovers. KKR is another major PE firm. It started acquiring companies back in the 1970s, completing the very first hostile takeover, a buyout of the Beatrice Companies. By 2008, it owned companies with total employees of nearly one million, making it, effectively, the second biggest U.S. employer, behind only Wal-Mart. It made the biggest deal of that era in the buyout of Nabisco for \$30 billion. But if there is any good news in all this, it is that the U.S. tax code was changed so that PE firms like KKK could not buy a company, then sell off its parts and not pay taxes on those gains. With this part of the tax code changed, much of the incentive to buy a company, then sell its parts was lost. But before this change, it was a strategy that worked like a charm. What remains, however, is that PE firms can borrow heavily to buy and/or further leverage a company, then write off the interest on all the loans. Congress has been unable to pass legislation to remove this essential benefit to PE firms. What fueled much of the success of the PE firms in the early part of this century were investments by pension funds and other major holders of wealth. By the early 2000s, these groups were looking for improved returns. They poured billions of dollars into PE firms, which typically lock investors in for a minimum of seven years. It was new-found money for PE firms. Of major concern, per the author, is the sheer number of major U.S. companies are now owned/run by PE firms, and how many of these companies could go bust in the future because of excess debt. Like a consumer loan, where the lender receives their return on investment before any principle is paid down, PE firms tend to suck their investments, plus profits, out of a company before the company has improved enough to stand on its own two feet. At their worst, PE firms get their money back. But, more likely, they get their money back and more, primarily by distributing handsome dividends to their investor/shareholders, at the expense of the acquired company. Per the book, about half of the major takeovers by PE firms have resulted in bankruptcies. Allied Stores, Burlington Industries, Federated Department Stores and Owens-Corning are on this list of casualties. A rare success was the PE takeover of General Instruments, the history of which has a chapter in the book. PE firms argue that they take over companies to make them more profitable, to save them, and, as a result, to create more jobs. But the string of well-known names of companies taken over, overburdened with debt, reduced of many seasoned employees and more, goes on and on: Hertz Rent a Car, Warner Music and KB toys are but a few examples. The book gives detailed information about how firms like Bain Capital, under Mitt Romney, did their thing to mattress company Sealy in 1997. It is not, for the most part, a pretty picture. KB Stores, another Bain Capital takeover, as the result of its bankruptcy, closed 600 stores and fired 5,000 employees. Bain Capital, it would appear, still made a profit in the failure at KB. Another concern is that PE firms seem to like takeovers of medical and/or hospital firms. By 2008, there was more PE action in England than in the U.S., and a chart in the book shows that the "influence" of PE firms in 2007 was less in the U.S. than in six European countries, including the United Kingdom. Right behind the U.S. in this chart is France, Finland and a host of other European nations. Back in the U.S. and on Wall Street, there is a mutual fund that represents investments in PE firms and Hedge funds: Fortress Investment Group. And PE firms are also into Initial Public Offerings (IPOs) as a way to make money. The scale of PE wealth and ownership is incredible, as PE firms apparently own about 2,000 American companies which have approximately six million Americans working for them. If PE firms had goals of improving company performances, increasing jobs and all, then things could be fine. But, per the author, "the only winners in private equity are the partners...." The well-known "carried interest" tax loophole is still on the books. The industry, collectively, controls about \$500 billion in investable money, or more. Its power of the PE industry may be too great to control, by government or even by itself. For the most part, the author seems to see himself as a messenger, not a solution. But he does give us a reference for up-to-date information: [...] 3 of 3 people found the following review helpful. An extremely important book - should be widely read and discussed. By Bigned I regard this as an extraordinarily important book that should be widely read and widely discussed. It would have been particularly important for this to have occurred prior to the recent presidential election. Reading this book

importantly informed me about socio-economic (and hence political) issues that I only poorly understood before reading the book, but the book had a great and important clarifying impact upon me. All the talk about "job creators" and the job-creating effect of hedge funds came through in an altogether different light as a result of reading this book. I urged C-span to feature the author on one of their interviews, but to my knowledge that never happened, nor did the book receive the attention it deserves in main-stream media, or, for that matter, in the alternative media. I am not enough of an economist to comment upon the author's contention that the extensive buyouts of hedge fund companies will bring down our economy. For me, the important part of this book - and it was very important - lay in elucidating what hedge funds are, how they operate, and the effects they often have upon workers, their retirement pensions and health benefit programs, and indeed the fate of the taken-over companies themselves. Few things are more central to our thinking about the nation's economy, and the tie-in with political choices we are presented with. This book is the antidote - and a very powerful antidote - to much of the "spin" put forth during the recent presidential campaign. This book deserves much more widespread attention than it appears to have received. I rate it as one of the more important books I have read in recent times. 0 of 0 people found the following review helpful. Great Book - MUST READ! BUY it NOW!! By TheCommodoreKid This is a must read if you want to learn how the Private Equity companies, now called Hedge Funds are totally destroying everything in their path. They cost most businesses to eliminate employees, deliver poor service then foist in unsuspecting investors and leave most companies with so much debt that very few survive after these Vultures get a hold of them. They provide no value or service to the economy. They are leaches and Felons and should be put in Jail. This is a MUST READ for EVERYONE. I learned so much. Thank you Josh.

An authoritative exposeacute; of the mysterious and potentially dangerous world of private equity Few people realize that the top private equity firms, such as Blackstone Group, Carlyle Group, and Kohlberg Kravis Roberts, have become the nation's largest employers through the businesses they own. Using leveraged buyouts that load their acquired companies with loans, private equity firms have generated more than \$1 trillion in new debtmdash;which will come due just when these businesses are least likely to be able to pay it off. Journalist Josh Kosman explores private equity's explosive growth and shows how its barons wring profits at the expense of the long-term health of their companies. He argues that excessive debt and mismanagement will likely trigger another economic meltdown within the next five years, wiping out up to two million jobs. He also explores the links between the private equity elite and Washington power players, who have helped them escape government scrutiny. The result is a timely book with an important warning for us all.