

THE ROCK AND THE EVANGELIST

By Jason Kelly, with Irina Savu in Bucharest

“I’m not a goldbug, but there are times when I feel like an evangelist for it,” says Thomas Kaplan, an Oxford-educated historian and chairman of Manhattan-based Tigris Financial Group. “To my amazement, it’s a hard sell. The conventional wisdom is that gold is for primitives. That derision shows me that contrary to the notion we’re in a bubble, we haven’t yet begun the real bull market.” The 47-year-old New York-born billionaire is a bundle of eccentricities, from his unplaceable but alien accent to his three-piece suits and his decidedly un-Wall Street way of talking (“as the thesis is confirmed, well-founded conviction gives way to the calm of metaphysical certitude”). His conviction about gold puts him in the company of such celebrated figures as George Soros and John Paulson, both of whom have been betting heavily on the yellow metal (and have invested alongside Kaplan in Vancouver-based mining company NovaGold Resources). At the moment, the wager looks inspired: The price of gold has risen for nine straight years, hitting an all-time high of \$1,256.30 an ounce on June 21. While the price has fallen about 2 percent since then, Kaplan says the big rally is still to come. It’s not riots in the streets he envisions, but a more fundamental case of demand outstripping supply as gold becomes a currency in its own right.

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THE NEXT REPUBLICAN ACTION HERO

By Peter Coy, With Terrence Dopp, Dunstan McNichol, and Laura Litvan

Chris Christie is the lead actor in a new movie. It’s a short film, no more than 20 minutes or so, yet its backer—the Republican Governors Assn.—expects to reap millions in donations from his brief appearance. The moody film features black-and-white images flashing by—storm clouds, campaign rallies, and urgent news clips from election-night broadcasts. A Republican has won the governor’s race in New Jersey, a Democratic stronghold, and the party of Barack Obama has been rendered powerless by his take-no-prisoners style. In less than eight months in office, Christie, a 47-year-old former prosecutor and lobbyist, has risen from an unknown to a signal attraction in the fund-raising and messaging wars. “I think he’s a star,” says Ed Rollins, who directed campaigns in 1984 for President Ronald Reagan and in 1993 for Christine Todd Whitman, the last Republican elected governor of New Jersey. [Read the full story...](#)

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WHAT’S A PORK RIB REALLY COST IN CHINA?

By Dexter Roberts, with Miao Han, Li Yanping, Penny Peng, Vincent Ni, and Helen Sun

Lydia Wang, a 28-year-old marketing manager in Shanghai, gripes that the shoes and clothing she normally buys are at least 50 percent pricier than in 2009. Wu Sengyun, a 54-year-old retiree living in the coastal city of Ningbo, Zhejiang, says prices of fruit and fish are both up more than 20 percent. Willy Lin has cut back on serving free drumsticks in the canteen of his Jiangxi clothing factory as meat and vegetable prices climb. “The workers suffer,” he says. “Everybody is crying.” Officially, China’s consumer price inflation topped out at 3.3 percent in July from the year before—a 21-month high. The government says the spike is a one-off caused by crop damage in recent flooding. Other costs, they say, such as cars, mobile-phone bills, and clothing, are actually falling, and price increases should slow as the economy cools. At an Aug. 12 press conference, Pan Jiancheng, a deputy director in the statistics bureau, announced that the inflationary threat was “overhyped.” Many consumers, investors, analysts, and academics disagree.

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SUTTER HEALTH'S PRICING GIVES INSURERS A HEADACHE

By Peter Waldman

Sutter Health, the nonprofit that owns Sutter Davis, charges 40 percent to 70 percent more than its rivals for a typical procedure, and it requires insurers to keep its rates secret. Sutter, with 2009 revenues of \$8.8 billion, can charge these prices because it has acquired more than a third of the medical-care market in the region from San Francisco to Sacramento. The company has taken over more than 20 hospitals in the past 30 years, according to executives at Aetna, Health Net, and Blue Shield of California who asked not to be named because their agreements with Sutter ban such disclosures. The executives say operating so many of an area's most popular hospitals, doctor groups, and testing facilities gives Sutter the ability to stare down insurers and employers.

THE RETAILER'S CLEVER LITTLE HELPER

By Brad Stone and Barrett Sheridan

The battle between online and brick-and-mortar retailers has, until now, been a lopsided fight. Internet stores enjoy the paradigm-busting advantages of the Web, like the ability to personalize deals to shoppers and offer on-the-spot price comparisons. Offline retailers, by contrast, may never know anything about a shopper who walks in, pays for a single item, and walks out the door. Over the past year tech entrepreneurs have raced to correct this imbalance and extend digital efficiencies to the physical world. Internet services such as Foursquare, Gowalla, Booyah, and—as of Aug. 18—Facebook have enticed millions to digitally “check in” to real-world locations. Until recently, big-box retailers and other mainstream businesses have largely sat on the sidelines as early adopters toyed with the technology. Now that Foursquare and Booyah have each signed up roughly 3 million people and Facebook's 500 million users now have access to similar, location-sensing technology, the big brands are coming around. Says Tristan Walker, vice-president of business development at Foursquare: “We see upwards of 500 to 1,000 new business inquiries a day.” Many of those are from mom-and-pop stores, but Foursquare has also recently made deals with major retailers including Gap, Starbucks, and Sephora. For retailers, foot traffic is everything, says Cyriac Roeding, the CEO of Shopkick, a new service similar to Foursquare. In e-commerce, a small percentage of a website's visitors make a purchase.

AKERSON GRABS THE WHEEL AT GM

By David Welch

For the directors of General Motors, this should have been a summer to savor. The carmaker has been preparing an initial public offering expected to sell up to \$16 billion worth of stock, an impressive sum for an enterprise that was close to dead—filing for bankruptcy protection in June 2009, ceding majority ownership to the U.S. government, cutting 60,000 jobs since 2007, and shedding tens of billions in debt. In December the new board set about remaking GM management, ousting CEO Fritz Henderson and installing Whitacre, who'd been chairman. He soon chalked up two successive quarters of profitability, a sign GM had regained the stability it needed to return to the public markets. Then the triumphant summer turned weird when Whitacre bowed out. That plunged the board into a leadership crisis at the worst possible moment. The discussion soon turned to another of those tough new board members: Dan Akerson, 61, who was already certified as CEO-worthy by the Treasury Dept. and fully immersed in the company's issues. At first the idea gave him pause, say two people with knowledge of the conversation, because it meant moving from his Washington (D.C.) home to Detroit. Within three days, however, he had agreed. Akerson, who declined to be interviewed for this article, has promised to continue Whitacre's cultural overhaul of GM, pushing for simplified management and more accountability. Yet those who know him say his style will be very different. Where Whitacre did

little talking but eased out or reassigned two dozen managers who didn't perform, Akerson is more directly confrontational. "He'll be different than me," Whitacre says. "I think he will listen. You can't be successful and not listen."

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LET A THOUSAND REGULATORS BLOOM

By James Sterngold, with Robert Schmidt, Phil Mattingly, and Matt Robinson

Anyone who thought the battle over Wall Street reform ended with passage of the Dodd-Frank Act and President Barack Obama's July 21 signature hasn't seen Kayla Gillan's whiteboard. Gillan, the deputy chief of staff to Securities & Exchange Commission Chairman Mary L. Schapiro, is in charge of coordinating the commission's implementation campaign, and she's covered her office whiteboard with dense, color-coded columns of tasks and deadlines that have already spilled over to some adjacent poster boards. There is little time to spare. A rule requiring the registration of financial advisers to municipal governments is due on Oct. 1, and myriad others must follow in quick succession. While hotly contested issues like limits on banks' proprietary trading and a new consumer protection agency got most of the attention during the financial overhaul debate, the SEC alone will be issuing some 100 rules covering derivatives, hedge funds, asset-backed securities, and executive pay. The agency needs to hire 25 examiners right away for a new office of credit-rating agency oversight. Rewiring Wall Street does not come cheap.

PRIVATE EQUITY FINDS THE EASY MONEY GONE

By Jason Kelly and Cristina Alesci

Hamilton "Tony" E. James, president of Blackstone Group, the world's biggest private equity firm, was in an office park in a Portland (Ore.) suburb last month trying to raise money for a new \$13.5 billion buyout fund. Instead of jumping at the opportunity to invest with a premier money manager, members of the Oregon Investment Council, a \$52 billion state employees' pension fund, grilled James for almost an hour about the performance of Blackstone's Fund V, launched in 2007. "That all sounds really great, and you probably raised money at the right time so you could go out and get deals," said Katherine J. Durant, one of the council members. "That said, why does Fund V look so bad?" Durant's skepticism reflects a new era for private equity: A year after the financial crisis subsided, the \$2.5 trillion industry is finding that the easy money may be gone for good.

FUTURE OF TECH: THE WILD BUNCH

By Cliff Edwards

Strauss Zelnick, the chairman of Take-Two Interactive, sits in a soundproof room enjoying a moment of professional success and a cookie. The room is part of a lavish Take-Two installation at Electronic Entertainment Expo, aka E3, the annual video game conference that's held each June in Los Angeles. You've got to spend money to make money, he explains between bites, referring to the elaborate setup outside, where an endless stream of conference-goers, mostly geeky guys in jeans, are posing for pictures with Tommy gun-toting Playmates hired to promote Take-Two's upcoming Mafia II game. Zelnick doesn't look much like his customers. He's 53 years old, dressed in a dark suit and pin-striped shirt, and sufficiently tanned and fit to have made the November 2008 cover of Men's Fitness magazine. Although Zelnick is looking good, his business is looking ... uncertain. Video games, once considered recession-proof, are stumbling, and while Take-Two has produced a hit with Red Dead Redemption, the company is still struggling toward profitability. Sales of all but the hottest, most-hyped games have tanked since 2009. Wedbush analyst Michael Pachter says July marked the fifth straight month that overall title sales have

fallen. “Some of our competitors who put out modestly good games this year, they got clocked,” Zelnick says. “They’re not developing great products, they’re delivering good products. Good is the new bad.” Just now, though, Zelnick has a product to celebrate, and it’s better than good. Red Dead Redemption has become the industry’s summer blockbuster. And it happened in large part because Zelnick stayed with a project that was overdue and over budget.

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WHY MALAYSIA RULES IN ISLAMIC FINANCE

By Dana El Baltaji and Soraya Permatasari

Bonds, home mortgages, and other financial assets that comply with Islamic law, which prohibits the charging or paying of interest, have gained in popularity throughout the Muslim world. A lot of high-paying jobs and national prestige are up for grabs for the country that can position itself as the hub of global Islamic finance. Persian Gulf states such as Saudi Arabia, the United Arab Emirates, Qatar, and Bahrain have sought to build out their financial-service sectors to accommodate the expanding demand. However, the real action these days isn’t taking place in the Gulf but in Asia—especially in Malaysia’s capital city of Kuala Lumpur. Islamic bonds, or sukuk, pay holders a share of the issuer’s profits rather than interest. For instance, a sukuk holder might have a claim to a portion of toll revenues from a highway project. This year, international borrowers have sold \$9.8 billion of Islamic bonds, with 72 percent of that being issued in Malaysia, according to data compiled by Bloomberg.

NEW ZEALAND FARMERS HARVEST CARBON CREDITS

By Stuart Biggs

In New Zealand, where the sheep outnumber humans 9 to 1 and National Lamb Day is celebrated every Feb. 15, a carbon emission trading system that kicked off in July is upending the economics of sheep farming, a once crucial sector of the economy. Sheep farmers are walking away from the business of selling wool and lamb chops and are converting their grazing lands into tree farms that could prove valuable when the country’s agricultural sector is forced to pay for greenhouse gas emissions starting in 2015. Home to alpine glaciers, massive mountain ranges, and rolling green farmland, New Zealand would seem the last place on earth with a greenhouse gas problem. (The country actually ranks 51st in such emissions with only 0.2 percent of the world total, according to the U.N.) Yet sheep and other livestock do have carbon foot (or hoof) prints. Sheep emit methane when they belch and nitrous oxide through their waste. Prime Minister John Key’s government in Wellington has said a carbon trading regime probably won’t have a big impact on the country’s greenhouse gas emissions, yet will boost the country’s green credentials and clout in global climate talks.