

Letters

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Google's search for cash

SIR – You miss the target regarding Google's initial public offering ("A cartel-buster", May 8th). You state that bankers during the dotcom bubble underpriced IPOs, leaving companies short-changed. Surely, if a charge can be levied against those bankers it is that they overpriced these IPOs. As to the companies being victims of greedy bankers, one must assume that they were willing victims.

Companies are prepared to pay handsomely and with no questions asked to get the best names in banking on to their prospectus, just like film producers are prepared to pay silly sums of money to attract big-name actors and increase their chances of a blockbuster movie. Similarly, firms are prepared to leave a lot on the table to increase the chances of being able to come back for more if they need to.

What is silly is that bankers, who should be conscious of their reputation in the long term and therefore exercise checks and balances on the capital-allocation process, are making so much money that they don't give a damn. In that respect, leaving retail investors to set the price is more an abdication of responsibility than a cure. This can only encourage some of the valuation excesses of the late 1990s, which are back in fashion just five years after the bubble burst.

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