

Year In Review

China's Sharp Slowdown Top Business Story

BY PAUL WISEMAN
AP Economics Writer

WASHINGTON — China's economy lost some luster and its leaders their aura of invincibility. A commodities boom went bust, spreading pain from Texas oil fields to Indonesian coal mines.

Seven years of near-zero interest rates ended in the United States, while easy money kept flowing elsewhere. Volkswagen cheated on emissions tests. And the rise of Uber intensified a debate about the definition of an employee.

China's sharp slowdown was chosen as the top business story of 2015 by business editors at The Associated Press, followed by the plunge in energy prices.

Here are the top 10 business stories of the year:

CHINA'S SLOWDOWN

It took five years for people to become really worried over China's slow-motion economic deceleration. The freak-out finally hit global markets in August. Between Aug. 10 and Aug. 25, the Dow Jones industrial average plunged 11 percent on fears that everyone had underestimated China's troubles and their impact on the rest of the world.

China's deceleration is part of an official plan to shift from unsustainable growth from exports and wasteful investment to slower but steadier expansion based on consumer spending. Yet its leaders tarnished their reputation for economic stewardship by clumsily intervening to prop up plunging stock prices. Then they shocked and confused markets by devaluing the Chinese currency.

Economists began to conclude that China's official story — that its economy was growing at around a brisk 7 percent a year — was far too rosy and that growth might be closer to 5 percent or 6 percent and likely to weaken further.

COLLAPSING COMMODITY PRICES

China's slowdown and a global oil glut crushed commodities and energy prices. The Standard & Poor's GSCI commodities index has plunged 34 percent this year to its lowest level since 1999, down 80 percent from its peak. And the main culprit was China's slowdown. When they were booming, Chinese factories devoured about half the world's copper, aluminum, nickel and steel.

Oil prices, too, tumbled from \$98 a barrel two years ago to under \$35. The biggest factor was unrestrained production across the world, which led to a huge supply glut. In response, energy companies slashed investment in America's



IMAGE: METRO GRAPHICS

oil patch. And workers lost jobs in Zambian mines, Indonesian coal pits and Australian ports. But consumers enjoyed a windfall: Near year's end, U.S. motorists were paying just \$2 a gallon for gasoline, down from \$2.47 a year ago.

THE END OF FREE MONEY

When the Fed cut short-term interest rates to near zero in December 2008, the American economy was losing hundreds of thousands of jobs a month. The financial system had nearly toppled. The rate cut was an emergency response. No one expected it to last.

But it did — for seven years. On Dec. 16, the Fed declared that the economy was finally healthy enough to withstand a modest rate hike: It raised the short-term rate it controls from a range of zero to 0.25 percent to one of 0.25 percent to 0.50 percent. But with Europe and Japan still struggling and China decelerating, the European Central Bank, the Bank of Japan and the People's Bank of China had gone in the reverse direction: They acted to continue or expand their easy-money policies.

VOLKSWAGEN CAUGHT CHEATING

In the first half of 2015, Volkswagen passed Toyota as the world's s top-selling automaker. The triumph didn't last long. On Sept. 18, the Environmental Protection Agency revealed that VW had cheated on emissions tests for hundreds of thou-

sands of diesel cars it had marketed as "green."

It was a stunning case of corporate malfeasance. CEO Martin Winterkorn resigned, VW announced plans to recall 11 million cars globally and set aside \$7 billion to pay for them. In the United States, where more than 500,000 VW cars have been recalled, several government agencies are investigating. VW's reputation was left in tatters.

GROWTH OF 'GIG' ECONOMY

The growth of the ride service Uber ignited a debate about the "gig economy," in which people don't hold regular jobs in traditional workplaces but rather work as some version of a freelancer: Uber drivers tooling around town in their own cars. Homebound app designers laboring to produce a hit for the Apple Store. Carpenters selling their services on the website Thumbtack.

Supporters say the gig economy drives innovation and gives workers unparalleled freedom. Critics worry that it lets companies label workers as "independent contractors" to avoid providing overtime, workers' compensation or unemployment insurance. The government issued guidelines meant to clarify when companies can designate workers as contractors. Still, for now, it says barely 10 percent of American workers are self-employed, little changed from a decade ago.

MEGA CORPORATE MERGERS

Corporate America received an overhaul in 2015: Companies announced a wave of mergers and acquisitions worth nearly \$4.8 trillion, busting a record set in 2007, according to Dealogic. The number of mega-mergers worth \$10 billion or more also set a record.

The list includes some whoppers: Arch-rival brewers Budweiser and Miller Genuine Draft would be joined by a \$106 billion deal between Anheuser-Busch InBev and SAB-Miller. Dow Chemical and DuPont announced a merger worth \$60 billion in a desperate bid to counter shrunk commodities prices. Pfizer and Allergan reached a \$149 billion deal to bring Pfizer's Viagra and Allergan's Botox under one corporate roof. Dell is buying the data-storage company EMC for \$66 billion. Walgreens offered to buy rival drugstore chain Rite Aid for \$9.4 billion, a deal that raised questions among regulators at the Federal Trade Commission.

TAKATA'S EXPLODING AIR BAGS

Japan's Takata Corp. admitted concealing evidence for years that its air bags could explode — a defect linked to eight deaths and more than 100 injuries worldwide.

Takata agreed to pay U.S. regulators a \$70 million fine. It also agreed to phase out air bag inflators that use ammonium nitrate, which was blamed for the explosions. Ford,

Honda, Toyota and Nissan have decided against putting the inflators in cars and trucks now under development.

NET NEUTRALITY

Cable and telecom companies fought it out with regulators over control of the Internet. The Federal Communications Commission issued "net neutrality" rules designed to bar Internet service providers from offering preferential treatment to sites that pay for faster service. Consumer groups and content companies such as Netflix support the new rules. But service providers such as Comcast and Verizon say the rules would limit innovation and discourage investment in broadband infrastructure.

In 2014, a federal appeals court had struck down the FCC's previous attempt to mandate net neutrality. But a key federal judge who was part of that 2014 decision signaled in December that the agency's revised plan might pass muster.

DRIVER-LESS CARS

Automakers and tech companies such as Google, Alibaba and Baidu scrambled to develop cars that would drive themselves. Nissan let reporters take a test drive in a self-driving car. Electric carmaker Tesla rolled out technology that allows for automated braking and lane-changes. As more functions are automated, experts say some cars should eventually be capable of driving themselves, perhaps by 2025.

Mercedes and Infiniti already offer cars that can perform some functions — steering themselves, for example, and staying within lanes at highway speeds. Cadillac is expected to offer hands-free driving next year. In 2017, Audi plans to offer low-speed, hands-free driving that works during traffic jams.

ROLLOUT OF THE APPLE WATCH

The Apple Watch went on sale in April, threatening to shake up the market for fitness bands and other wearable gadgets. Prices start at \$350 and go up to \$10,000 for luxury models. The smartwatch received mixed reviews. Some critics questioned whether it was useful enough to justify buying.

Apple still won't say how many watches it has sold. But Wall Street analysts believe Apple sold about 4 million smartwatches from June through September, up from the unexpectedly strong 3.6 million that International Data Corp. estimated Apple sold from April to June.

Education, Transportation Highlight 2015 In Congress

BY MATTHEW DALY
Associated Press

WASHINGTON — In a chaotic year, when Republicans in the House unseated a speaker, Congress produced a significant amount of bipartisan legislation that affects every American.

It enacted laws recasting federal education policy, restricting government access to bulk phone records, renewing highway and transit programs and even resolving a longstanding problem of how Medicare reimburses doctors. Before leaving town for the year, it sent President Barack Obama bipartisan legislation Friday financing government agencies in 2016 and cutting taxes, mostly by extending dozens of expiring levies.

Highlights of an eventful year in Congress:

BUDGET DEAL

A \$1.1 trillion spending bill approved Friday funds the government for the 2016 budget year running through Sept. 30 and extends \$680 billion in tax cuts for businesses and individuals. The deal — a victory for new House Speaker Paul Ryan, R-Wis. — avoids a government shutdown, allows crude oil exports for the first time in 40 years and extends a huge variety of tax breaks, including those for college tuition and renewable energy such as solar and wind power.

EDUCATION

Obama signed a sweeping overhaul of the No Child Left Behind education law, the biggest education reform since 2002. The bipartisan law ushers in a new approach to accountability, teacher evaluations and the way the most poorly performing schools are pushed to improve. Students will still take federally required statewide reading and math exams, but the law encourages states to limit time spent on testing and diminishes the stakes for underperforming schools.

COLLEGE LOANS

Congress extended a federal loan program that provides low-interest money to the neediest college students.

HIGHWAYS AND TRANSIT

After years of stymied efforts, Congress approved a

bipartisan bill to improve the nation's aging and congested highways and transit systems. The new law assures states that federal help will be available for major projects, although it does not resolve how to pay for transportation programs in the long term.

TRADE

Congress approved a bill granting the president trade promotion authority. The law allows Congress to ratify or reject trade agreements negotiated by the executive branch, but not change or filibuster them. Obama has not submitted to Congress a recently competed trade agreement with 11 Pacific Rim nations.

SURVEILLANCE

Obama signed into law the USA Freedom Act, which extends three expiring surveillance provisions of the USA Patriot Act, passed after the 9/11 attacks on New York and Washington. The law overhauls the previous law's most controversial provision, which had been interpreted to allow bulk collection of U.S. phone records by the National Security Agency. The new law gives private companies more leeway to publicly report information about the number of national security surveillance demands they receive.

DEFENSE

Congress approved a sweeping defense-authorization bill that includes a troop pay raise and prohibits transfer of Guantanamo Bay detainees to the United States.

PHYSICIAN PAYMENTS

Under a bill shepherded by former House Speaker John Boehner and House Democratic leader Nancy Pelosi, Congress finally approved a bipartisan measure that permanently recasts how Medicare reimburses doctors for treating over 50 million elderly people. The \$214 billion measure prevented a 21-percent cut in physicians' Medicare fees, preventing a flood of complaints from doctors and senior citizens that lawmakers dearly wanted to avoid.

EXPORT-IMPORT BANK

Congress revived the federal Export-Import Bank five months after lawmakers

allowed it to expire.

Despite those accomplishments, the Republican-controlled Congress failed on a number of fronts:

IRAN NUCLEAR DEAL

GOP lawmakers were unable to block a deal involving the United States, Iran and five other world powers that would curb Iran's nuclear activities in exchange for giving Iran access to billions in frozen assets and oil revenue.

PLANNED PARENTHOOD

Congress did not halt federal payments to Planned Parenthood, after secretly recorded videos of Planned Parenthood officials discussing tissue donations caused an uproar among congressional Republicans and abortion opponents.

HEALTH LAW

Lawmakers tweaked the edges of Obama's 2010 health care law but did not overturn it despite repeated votes to repeal all or part of it.

ENVIRONMENTAL REGS

Congress did not block Obama administration regulations on clean air and water and was unable to stop Obama's signature environmental accomplishment, a high-profile plan to curb greenhouse gas emissions from coal-fired power plants.

KEYSTONE XL PIPELINE

Despite many attempts, Congress again failed to win approval for the Keystone XL oil pipeline from Canada. Obama finally rejected the pipeline last month after seven years of indecision.

BENGHAZI

House Republicans continued a widely criticized investigation into the deadly 2012 attacks in Benghazi, Libya, which killed four Americans, including the U.S. ambassador. An 11-hour hearing featuring Democratic presidential candidate Hillary Clinton failed to produce revelations Republicans were seeking. Clinton was secretary of state when the attacks occurred.

IMMIGRATION

Neither chamber approved a comprehensive immigration overhaul.

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