S.&P. 500	1,257.88	↘	1.90
Dow industrials	11,569.71	↘	15.67
Nasdaq composite	2,662.98	↘	3.95
10-yr. Treasury yield	3.36%	↗	0.01
The euro	$1.3286	↗	0.0072

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Major Banks Need Midsize Ones

If big banks start failing again, what will replace them?

In the United States and Europe, that is a question with unsatisfactory answers in the aftermath of the financial crisis.

FLOYD NORRIS

HIGH & LOW FINANCE

To put it in sports terms, there was nobody on the bench waiting for a chance to become a star. One result is that even after a crisis in which it was every country for itself, banking is becoming more internationalized than ever.

It was not always such in the United States. After the previous big financial crisis in the early 1980s, which centered on bad loans made to Latin American countries, there were major regional banks that — because of luck or wisdom — had not made the same mistakes.

Charlotte, N.C., became an international financial center. NationsBank, which began life as North Carolina National Bank, took over Bank of America. The name stayed, but the company was very different.

To some extent, the availability of a bench stemmed from a long-held suspicion of banking in the United States. Americans feared big banks long after President Andrew Jackson abolished the Bank of the United States. For most of the 20th century, banks operated in only one state. In some, Illinois most prominently, banks could have only one office.

When barriers to interstate banking fell, there were many players able to grow into major institutions.

But those days seem to be gone. The banks with the ability and desire to snap up significant banks now seem to be at least as likely to be based outside the United States as inside.

If the previous crisis was largely caused by ill-advised international lending, this one was homegrown. The lending excesses centered on home mortgages, an area in which nearly every bank took part. When things blew up, there were few banks that could escape unscathed.

Still, some did better than others. JPMorgan Chase seems to have made fewer bad loans, although it has major headaches

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FRED R. CONRAD/THE NEW YORK TIMES

Tyler Winklevoss, left, and his twin, Cameron. They want to undo a $65 million deal and pursue a case against Facebook.

From Twins, Second Thoughts

Agreement Over Facebook Deal Is Regretted

By MIGUEL HELFT

SAN DIEGO — Some people go to court hoping to win millions of dollars. Tyler and Cameron Winklevoss have already won tens of millions. But six years into a legal feud with Facebook, they want to give it back — for a chance to get more.

The Winklevosses — identical twins and Harvard graduates — say that they, along with another Harvard student, Divya Narendra, had the original idea for Facebook, and that Mark Zuckerberg stole it. They sued Facebook and Mr. Zuckerberg in 2004, and settled four years later for $20 million in cash and $45 million in Facebook shares.

They have been trying to undo that settlement since, saying they were misled on the value of the deal. But it has not been an easy decision.

As recently as Thursday, the brothers considered dropping their effort to unwind the agreement, and went as far as drafting a statement to that effect, according to people close to the case. They decided, though, to keep fighting.

Their argument is that Facebook deceived them about the value of the shares, leaving them with far less than they had agreed. Whatever their value at the time of the deal, Facebook's shares have soared since, putting the current worth of the settlement, by some estimates, at more than $140 million.

Next month, the twins and Mr. Narendra plan to ask a federal appeals court in San Francisco to undo the deal so they can pursue their original case against Facebook and Mr. Zuckerberg, and win a richer payday. They could, though, lose it all.

Still, they say it's not about the money, it's about the principle — and vindication.

"The principle is that they didn't fight fair," said Tyler Winklevoss during an interview at a pub here recently. "The principle is that Mark stole the idea."

His brother, Cameron, chimed in, "What we agreed to is not what we got."

Facebook denies it did anything improper and says the

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New Capital For Groupon Sets Stage For Offering

By EVELYN M. RUSLI

The 30-year-old founder and chief executive of Groupon, Andrew Mason, could raise as much as $950 million from investors in the next few weeks, laying the groundwork for a multibillion-dollar initial public offering in 2011.

The social buying site, which offers coupons for local businesses, has so far locked up $500 million in fresh capital from Fidelity Investments, Morgan Stanley, T. Rowe Price, and other large investors — allowing Mr. Mason and eight other directors to take a significant amount of cash off the table.

In the coming weeks, the company could bring in another $450 million, according to a Securities and Exchange Commission filing on Thursday.

If successful, Groupon's latest fund-raising effort would be the largest ever for a start-up, a venture capital record held by DreamWorks Animation SKG for the last 15 years, based on Thomson Reuters data.

A spokeswoman for Groupon declined to comment on the outside investments.

The fund-raising is all part of the typical lifecycle for an Internet start-up. But Groupon has gone from a quirky idea to Web darling in about two years — an especially fast evolution that got a turbo charge when the Chicago-based company spurned a $6 billion takeover offer by Google in the first week of December.

A frenzy of activity followed the failed bid.

Within days, institutional investors started lining up, ready to provide significant capital infusions. On Dec. 20, Groupon hired its first chief financial officer, Ja-

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Shaping a Network With Oprah's View

By BRIAN STELTER

For decades cable channels have been built around specific interests like news, sports or classic movies. Beginning this weekend, there will be something altogether different: a cable channel shaped around a person, Oprah Winfrey.

The channel, called OWN, short for the Oprah Winfrey Network, will depend in part on Ms. Winfrey's powerful role as a tastemaker for her millions of fans.

MARY ALTAFFER/ASSOCIATED PRESS

Oprah Winfrey is moving to her own channel.

When it starts Saturday at noon, the network will essentially be recommending Oprah-branded programs the way she recommends books on "The Oprah Winfrey Show."

"This network will be mind- and heart-food for people," Ms. Winfrey said in an interview.

Her network is also the most-watched experiment in the television industry. Ms. Winfrey is taking an enormous risk by ending her 25-year-old broadcast talk show in 2011 and moving to cable, hoping that her viewers will move with her. Whether they watch or not, they'll be paying for it: OWN is expected to eventually earn 25 cents a month in subscriber fees from each of the 85 million households it will serve.

OWN is not just a symbolic move to cable from broadcast. It is also a bet by Ms. Winfrey and her backers at Discovery Communications that media will be more personalized in the future — beginning with a channel built around one of the biggest personalities in the world.

"OWN is the first network, other than maybe the Disney Channel, that is really built around the worldview of a person," said Tom Freston, the former chief executive of Viacom and now an adviser to Ms. Win-

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HIROKO TABUCHI FOR THE NEW YORK TIMES

Kura, a chain in Japan, relies on small staffs and lots of automation, like sushi-making robots.

Conveyor Belts Bring Profit to Sushi Chain

By HIROKO TABUCHI

SAYAMA, Japan — The Kura "revolving sushi" restaurant chain has no Michelin stars, but it has succeeded where many of Japan's more celebrated eateries fall short: turning a profit in a punishing economy.

Efficiency is paramount at Kura: absent are the traditional sushi chefs and their painstaking attention to detail. In their place are sushi-making robots and an emphasis on efficiency.

Absent, too, are flocks of waiters. They have been largely replaced by conveyors belts that carry sushi to diners and remote managers who monitor Kura's 262 restaurants from three control centers across Japan. ("We see gaps of over a meter between your sushi plates — please fix," a manager said recently by telephone to a Kura restaurant 10 miles away.)

Absent, too, are the exorbitant prices of conventional sushi restaurants. At a Kura, a sushi plate goes for 100 yen, or about $1.22.

Such measures are helping Kura stay afloat even though the country's once-profligate diners have tightened their belts in response to two decades of little economic growth and stagnant wages.

Many other restaurants and dining businesses in Japan have not fared so well. After peaking at 29.7 trillion yen in 1997, the country's restaurant sector has shrunk almost every year as a weak economy has driven businesses into price wars — or worse, sent them belly-up. In 2009, restaurant revenue, including from fast-food stores, fell 2.3 percent, to 23.9 trillion yen —20 percent below the peak, according to the Foodservice Industry Research Institute, a research firm in Tokyo.

Bankruptcies have been rampant: in 2009, 674 dining businesses with liabilities of over 10 million yen went under, the highest number in the last five years,

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Academic Economists To Consider Ethics Code

By SEWELL CHAN

WASHINGTON — When the Stanford business professor Darrell Duffie co-wrote a book on how to overhaul Wall Street regulations, he did not mention that he sits on the board of Moody's, the credit rating agency.

As a commentator on the economy, Laura D'Andrea Tyson, a former adviser to President Bill Clinton who teaches in the business school at the University of California, Berkeley, does not usually say that she is a director of Morgan Stanley.

And the faculty Web page of Richard H. Clarida, a Columbia professor who was a Treasury official under President George W. Bush, omits that he is an executive vice president at Pimco, the giant bond fund manager.

Academic economists, particularly those active in policy debates in Washington and Wall Street, are facing greater scrutiny of their outside activities these days. Faced with a run of criticism, including a popular movie, leaders of the American Economic Association, the world's largest professional society for economists, founded in 1885, are considering a step that most other professions took a long time ago — adopting a code of ethical standards.

The proposal, which has not been announced to the public or to the association's 17,000 members, is partly a response to "Inside Job," a documentary film released in October that excoriates leading academic economists for their ties to Wall Street as consultants, advisers or corporate directors.

Universities and medical schools have tightened disclosure requirements and conflicts of interest policies for scientists,

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A Symbol of Hope in Estonia Becomes the Currency

By JACK EWING

TALLINN, Estonia — On Saturday, Estonia completes its trip from Soviet republic to full-fledged member of the euro zone.

In the first minutes of the new year, Prime Minister Andrus Ansip will slide a bank card into an automated teller machine installed for the occasion in front of the opera house here in the capital.

He will withdraw some euro bills, and Estonia will officially become the 17th member of the zone.

To outsiders, it may seem curious that this Baltic nation of 1.3 million is tying itself to the euro just as the common currency is struggling. But in fact, Estonia has been a de facto member for some time, pegging its kroon to the German mark and then the euro after giving up the Russian ruble in 1992.

"Whatever happens, our currency is tied to the euro," said Riho Unt, chief executive in Estonia of Skandinaviska Enskilda Banken, or S.E.B., a Swedish bank that is one of the Scandinavian institutions that dominates banking in the country. "Being inside is better than being outside."

Economic arguments aside, in Estonia, the euro is still a symbol — tarnished, perhaps — of hope and prosperity.

"It symbolizes that Estonia has emerged as a full member of the European family," said Joakim Helenius, chief executive of Trigon Capital, an asset management company. "For people here, that is a very big thing."

While not naïve about the problems in the euro zone, Estonian leaders remain fierce advocates of the common currency, a reminder that for every bond investor dumping Greek or Irish debt holdings, there is a European bureaucrat equally determined to defend the euro to the last.

"Talking about splitting the euro is not the way out," Jürgen Ligi, the Estonian finance minister, said during an interview. "There would be huge immediate losses for both sides."

"There is no alternative" to the euro, Mr. Ligi said. "This is the only boat in the sea."

Even if it were possible for Estonia to back out of euro membership at the last minute, the consequences could be disastrous. The kroon might plunge, most likely making Estonians unable to repay mortgages and other bank loans, which are almost always denominated in euros already. The surge in defaults could bring the economy to a standstill.

The Estonian government has already gone to extreme lengths to defend the currency peg. In 2009, after economic output plunged nearly 15 percent, it cut its budget by the equivalent of 9 percent of gross domestic product rather than devalue and put euro membership at risk.

The austerity measures did not provoke civil unrest in the country, unlike in neighboring Latvia. Most Estonians seemed to accept that sacrifices were necessary, and the economy is growing briskly again. Many Estonians regard themselves as a stoic people who endured much worse during centuries of foreign domination.

"It wasn't an easy process," said Henri Kaarma, an employee of a bank in Tallinn that laid off some of his colleagues during the downturn. "But it is done now, and we reached our goal. I am proud," said Mr. Kaarma, a muscular 36-year-old whose idea of relaxation is to swim in icy lakes and rivers during the winter.

Among Estonian citizens, support for the euro is far from unanimous. Polls show roughly half in favor of the euro, with the rest either apathetic or opposed. There is widespread suspicion that shops and restaurants, which have promised not to raise prices in the months after euro membership, have been doing so ahead of time. The Estonian central bank blames recent price increases on the higher cost of imported commodities.

With an average monthly wage of 785 euros, or about $1,030, Estonia will be the poorest member of the euro area. Though central Tallinn is filled with Audis and Mercedes parting the winter slush, unemployment remains above 10 percent and about a fifth of the population lives in poverty.

Among the less fortunate, there seems to be little hope that euro membership will bring improvement.

"The last years are very difficult," said Rufina Martinovskaya, a single mother selling knit sweaters and mittens at an outdoor market on the edge of Tallinn's 13th-century Old Town.

Ms. Martinovskaya, swathed against the cold in a thick scarf and long fleece jacket, said she lost her job as an architect four years ago, when Tallinn's real estate boom stalled.

"There is no building. It stopped," she said. "I'm an architect, and now I work here," she said, surveying the rows of wooden stands visited by a handful of tourists. Ms. Martinovskaya said she made just enough for her and her 11-year-old daughter to eat, with nothing left for even simple pleasures.

A few political leaders have tried to tap such sentiments. Edgar Savisaar, mayor of Tallinn and leader of the main opposition party, told the German newspaper Die Zeit, in an interview published on Tuesday, that Estonia was not ready for the euro and that the sacrifices to join were too great.

But even Mr. Savisaar acknowledged that such sentiments had not coalesced into a serious anti-euro movement. Despite the severe austerity program, the government led by Mr. Ansip remains popular.

This is a country that continued functioning recently after snowfall that was heavy even by Nordic standards, and many times the amount that crippled transportation in Britain, France and Germany. After plows swept Tallinn this week, high walls of cleared snow made some streets look like white canyons.

Estonian leaders approach the euro with the same spirit of perseverance. "We have never taken the euro as a short-term project," said Marten Ross, deputy governor of the Estonian central bank.

He and other leaders portray the country as the anti-Greece, with a history of discipline and willingness to suffer for the euro cause. Last year, Estonia had the lowest level of total debt of any European Union country, just 7 percent of gross domestic product. The government's budget deficit will be well under 3 percent of G.D.P. this year, when almost every other country in the euro area is in flagrant violation of limits set by treaty.

The European Central Bank will not need to intervene to prevent a sell-off of Estonian government bonds. There are none, though the government is considering a debt issue to finance expansion of the energy sector. What little the government has borrowed has come directly from banks.

Estonia is also one of the most business-friendly countries in the world. It is ranked 17th by the World Bank for ease of doing business, ahead of countries like Japan, Germany and Switzerland. Estonia has no tax on reinvested corporate earnings, and in contrast to most other European countries, there are few restrictions on hiring and firing employees.

"The business environment in Estonia has always been good," said Bo Henriksson, manager of the Baltic region for ABB, a company based in Zurich that makes power distribution equipment and other products in Estonia.

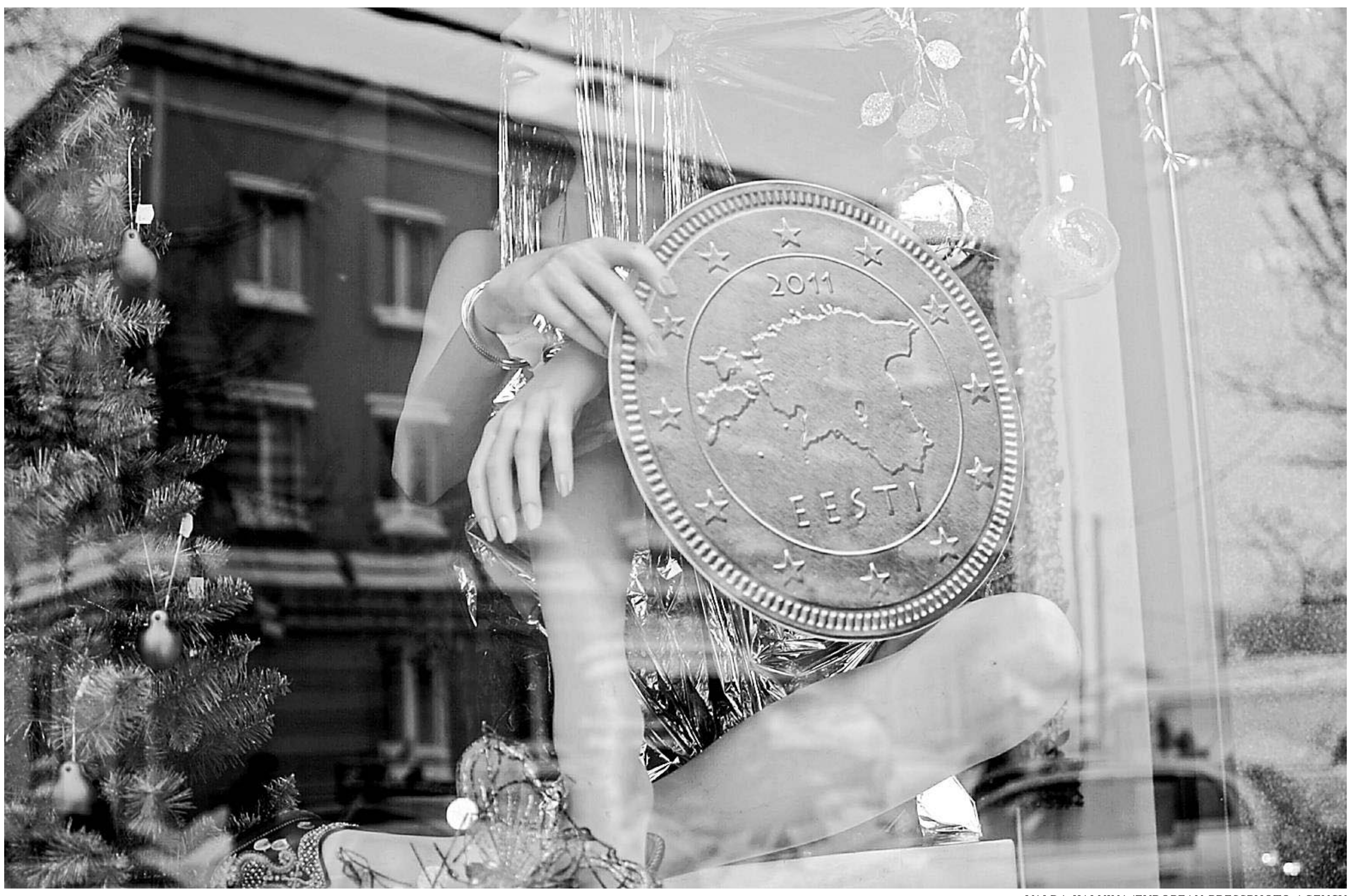
Hopes are high that euro membership will encourage more investment from nearby Finland. Its capital, Helsinki, is just two hours away by fast ferry, but smaller Scandinavian companies might have feared exchange rate risk if Estonia was ever unable to defend the kroon.

"That has been an issue for foreign investors," said Priit Perens, managing director in Estonia for Swedbank, a Swedish institution.

For many Estonians, such benefits make it worth enduring a sovereign debt crisis or two.

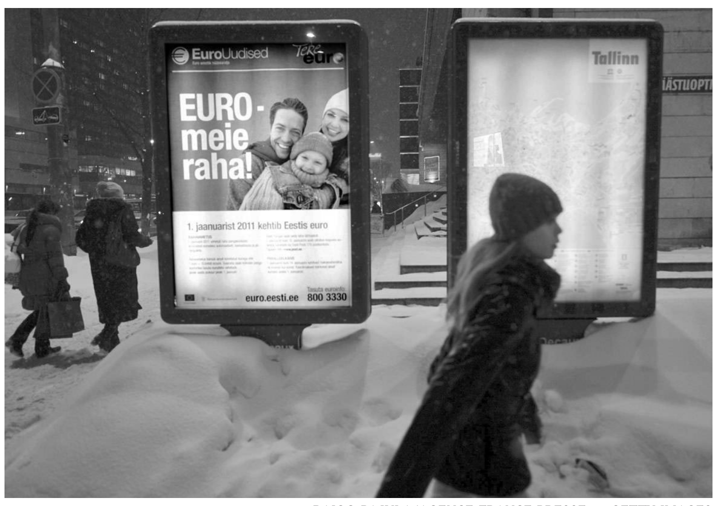
"There is no reason to be afraid," said Peep Aaviksoo, a consultant and former chief executive of EMT, an Estonian mobile phone company. "If you look at the not-so-happy history of Estonia, we have had worse experiences.

"Now we are back in Europe."



VALDA KALNINA/EUROPEAN PRESSPHOTO AGENCY

A mannequin holds a fake euro coin at a store in Parnu, Estonia. The country becomes a full member of the euro zone on Saturday.



RAIGO PAJULA/AGENCE FRANCE-PRESSE — GETTY IMAGES

A sign reads, "Euro is our money," in Tallinn, Estonia. The country's economy is growing again after budget cuts in 2009.

U.S. Unveils Plan to Sell Stake in Ally, Once GMAC

By ERIC DASH

The federal government said on Thursday that it was planning a complex transaction that would temporarily increase its ownership position in the former lending arm of General Motors to nearly three-fourths of the company while also paving the way to cash out its stake.

The Treasury Department said it would exchange $5.5 billion of preferred stock into common shares, raising its equity stake to 74 percent, from 56 percent, of the outstanding common stock. The government, as part of its bailout of the financial system, had poured a total of $17.2 billion into GMAC, now known as Ally Financial, to stabilize the troubled auto and mortgage lender at the height of the crisis.

The stock conversion will not change the total amount of money the government has injected into the company, but will make it easier for it to execute a large stock offering, because common shares are more comparable to shares of other publicly held lenders and therefore easier to sell and borrow against.

Still, the move will severely erode the value of Ally's existing private shares. After the conversion, Cerberus, the large private equity firm, will hold an 8.9 percent stake, and G.M. and another affiliate together will own just under 10 percent of the shares.

The government used a similar strategy in the spring of 2009 to begin the delicate process of winding down its $45 billion investment in Citigroup. This month, the Treasury announced that it had turned a nearly $12 billion profit on the nearly one-third stake it held in that bank.

The Treasury is pursuing a similar stock conversion with the American International Group, which could raise the government's ownership position to around 90 percent before it starts selling off those shares in the next few months.

A complex plan to temporarily increase its stake in the bank.

"Ally has made substantial progress in restructuring its operations and improving its financial performance during 2010, and this transaction will position us to begin to exit the investment," Tim Massad, who oversees bailout investments at the Treasury, said in a statement.

The stock conversion is the latest in a series of maneuvers that suggest Ally is readying itself for a return to private hands. This week, Ally announced that it would pay $462 million to Fannie Mae to avoid having to buy back poorly underwritten loans it sold to Fannie, the government-controlled mortgage finance giant. That was the first settlement struck by any major housing lender and removed a large cloud over any major stock sale.

Over the last year, Ally has been more aggressively marking down the value of some of its most troubled mortgage assets in another move that would clear the way for a sale.

Michael A. Carpenter, Ally's chief executive, called the conversion a "key milestone" and a sign of the "significant progress" the company had made this year.

Such a sale would be a remarkable turnabout for one of the nation's biggest and most troubled consumer lenders. GMAC was the only financial institution to return three times to the government for bailout aid, after a disastrous foray into subprime mortgages pushed the company to the brink of bankruptcy.

Federal officials concluded that the collapse of GMAC probably would not send shock waves through the financial system the way the failure of a giant bank would. However, such a situation would pose a devastating blow to the auto industry, its suppliers and its employees.

The Federal Reserve granted GMAC an emergency waiver to become a bank at the height of the crisis, making it eligible for $5 billion of bailout funds and $900 million in additional aid. After the government's stress tests in 2009, the Treasury poured in $7.5 billion more.

But after GMAC struggled to secure additional funds from private investors, it returned for $3.8 billion. That gave the government a controlling financial position and the power to designate up to four directors. So far, it has approved three; it is vetting the fourth. By raising its stock ownership position to 74 percent, the government has the authority to name two more.

Conveyor Belts Bring Profit To a Japanese Sushi Chain

From First Business Page

according to Teikoku Data Bank, a credit research company.

In November 2009, Soho's Hospitality, the company behind celebrity restaurants like Nobu and Roy's, filed for bankruptcy. Roy's is now run by another company, while Nobu's chef, Nobu Matsuhisa, has opened a new restaurant elsewhere in Tokyo with Robert De Niro.

Along with other low-cost restaurant chains, Kura has bucked the dining-out slump with low prices and a dogged pursuit of efficiency. In the company's most recent fiscal year, which ended on Oct. 31, net profit jumped 20 percent from the same period a year earlier, to 2.8 billion yen.

In the last two months alone, Kura has added seven stores.

"If you look at the restaurant business, consumers are still holding back because of employment fears and falling incomes, and there's no signs that will change," said Kunihiko Tanaka, Kura's chief executive, who opened Kura's first sushi restaurant in 1995. "Amid these worsening conditions, our company feels that consumer sentiment matches, or is even a tail wind" to the Kura business, he told shareholders earlier this year.

The travails of Japan's restaurant industry, and the changes in Japanese dining habits, may be among most visible manifestations of how Japan's "bubble economy" excesses in the 1980s have given way to frugal times since the bubble burst in 1990.

With wages weak — average annual private sector pay has fallen 12 percent in the last decade, to 4.05 million yen, or about $49,300, in 2009 — the Japanese now spend less on eating out. An average single-person household spent 163,000 yen on dining in 2009, 27 percent less than in 2000, according to detailed budget surveys compiled by the Ministry of Internal Affairs.

In a survey by Citizen Holdings, the watchmaker, of 400 men in their 20s to 50s, the average time spent at cafes and restaurants plunged from 7 hours and 52 minutes a week in 1990 to 2 hours and 25 minutes in 2010.

An aging population is also depressing restaurant sales. More than one-fifth of Japan's population is already over 65, and surveys indicate that older people tend to eat out less. The population is also shrinking, reducing the restaurants' potential customer base.

Meanwhile, Japanese companies have cut back sharply on their entertainment expenses, further hurting restaurant sales. Total corporate spending on dining and entertainment has halved from a peak of 9.5 trillion yen in 1991 to 4.8 trillion yen in 2008, according to data from the National Tax Agency.

"The restaurant industry here is so linked to the state of the economy, and that's why we're seeing this decline," said Munenori Hotta, a food service industry expert at Miyagi University in Japan. "In this climate, even top restaurants are having to moderate their prices to keep attracting customers," he said.

Japan's dining-out boom had its roots in the 1970s and 1980s, as incomes grew and rural populations flocked to big cities. So-called family restaurants brought cheap, Western-style food to the masses flourished in that era. So did American fast-food chains, which were considered novel at the time. Kentucky Fried Chicken opened its first restaurant here in 1970, followed by McDonald's in 1971.

At the other end of the price range, a new generation of wealthy Japanese savored imported French wines at lavish restaurants. By 1986, there were 503,088 restaurants across Japan, according to records from the Internal Affairs Ministry. That was nearly double the number from 15 years earlier — and was more restaurants than now operate in the United States, which has more than twice the population of Japan.

After the bubble burst in 1990, new low-cost restaurant chains that offered pizzas for as little as 400 yen, or $4.86, started to spread across Japan, and restaurateurs spoke with alarm of ready-made, convenience-store meals that were siphoning off sales.

In the depths of the slump, in 1995, Mr. Tanaka started a company based on serving quality sushi on the cheap.

His idea of using conveyor belts to offer diners a steady stream of sushi on small plates was not a new one; an Osaka-based entrepreneur invented such a system in the late 1950s. But Mr. Tanaka set out to undercut his rivals with deft automation, an investment in information technology, some creativity and an almost extreme devotion to cost-efficiency. In Japan, where labor costs are high, that meant running his restaurants with as few workers as possible.

Instead of placing supervisors at each restaurant, Kura set up central control centers with video links to the stores. At these centers, a small group of managers watch for everything from wayward tuna slices to outdated posters on restaurant walls.

Each Kura store is also highly automated. Diners use a touch panel to order soup and other side dishes, which are delivered to tables on special express conveyor belts. In the kitchen, a robot busily makes the rice morsels for a server to top with cuts of fish that have been shipped from a central processing plant, where workers are trained to slice tuna and mackerel accurately down to the gram.

Diners are asked to slide finished plates into a tableside bay, where they are automatically counted to calculate the bill, doused in cleaning fluid and flushed back to the kitchen on a stream of water. Matrix codes on the backs of plates keep track of how long a sushi portion has been circulating on conveyor belts; a small robotic arm disposes of any that have been out too long.

Kura spends 10 million yen to fit each new restaurant with the latest automation systems, an investment it says pays off in labor cost savings. In all, just six servers and a minimal kitchen staff can service a restaurant seating 196 people, said a company spokesman, Takeshi Hattori.

"Its not just about efficiency," Mr. Hattori said. "Diners love it too. For example, women say they like clearing finished plates right away, so others can't see how much they've eaten."

Traditional sushi chefs have not fared so well, however. While the overall market for belt-conveyor sushi restaurants jumped 42 percent, to 428 billion yen, in 2009 compared with 2003, higher-end sushi restaurants are on the decline, according to Fuji-Keizai, a market research firm.

"It's such a bargain at 100 yen," said Toshiyuki Arai, a delivery company worker dining at a Kura restaurant with his sister and her 3-year-old son. "A real sushi restaurant?" he said. "I hardly go anymore."

HIROKO TABUCHI FOR THE NEW YORK TIMES

Kura puts codes on the bottom of its plates to keep track of how long a sushi portion has been circulating on a conveyor belt.