

The Economist Writes About MLPs

This weekend's Economist discussed Master Limited Partnerships (MLPs). Their Leader article primarily focuses on the different forms of corporate structure that are developing both to minimize corporate taxes as well as in response to legislation such as Sarbanes-Oxley which raised the cost of compliance (disproportionately for smaller firms) for many traditional corporations. It's interesting to see The Economist probing a relatively unknown segment of the capital markets, but as usual they bring their clear-headed analytical skills to bear and pose some thought-provoking questions such as the absence of a public policy debate over a shift away from the traditional corporate, or "C-corp" structure widely used.

MLP investors have done well, and the requirement that profits be substantially distributed to owners rather than accumulate via retained earnings as management's piggy bank hardly seems a bad idea. Investors in Microsoft (MSFT) and Apple (AAPL) might well wish that those companies were structured as MLPs (since they're not involved in natural resources they don't qualify). If MSFT had to raise capital every time they make an acquisition they'd probably find their investments in Skype or Nokia rather less well supported by the investors in the secondary equity offerings whose sponsorship they would need.