Bush policy, and the portentous nuclear threats from Iran and North Korea still actual, it should be expected that defence and security spending in the near future, would at minimum, stabilise at 2003 levels. More probably it should be expected that defence and military spend will rise as the world map is slowly redrawn and regime change and confrontation slowly unfolds.

Compounding the costs of foreign interventionism there is the estimated future spend of $400 billion for state bailouts over the next few years as states and municipalities struggle to meet balanced budget amendments and restrain onerous tax increases. California for instance, which is the world's fifth largest economy, faced a 2003 budget gap of U$38 billion, declining revenues, and an exportation of jobs as corporations flee the highly taxed and financially troubled state. California is the extreme example of seemingly incompetent governance, overspending and legislative constraints, which preclude budget cuts and rationalisations. Tax and spend pressure in all States will increase and not decrease in the future as the Federal Government inevitably struggles to try and contain its deficit and download costs. Slowing revenues and downloaded costs will ensure short term budget deficits and a call to raise taxes locally which might of course, offset Federal tax cutting plans. The main spring of Federal hope is that the economy starts to grow at 3.5 % per annum. At such a rate jobs are added and revenues will help offset deficit financing and perhaps obviate the need for tax increases.

Fourth, in order to stimulate the economy the government has been forced to enact broad and far ranging regulatory measures to improve investor confidence in the transparency and stability of corporations and in equity markets.[462] The Sarbanes—Oxley act on corporate governance has added another layer of compliance costs for publicly traded firms.[463] The regulations include more separation of the jobs of chief executive and chairman, and the appointment of more independent directors who don't have business ties to the company. Board audit committees, which are supposed to monitor a company's books, must now have at least one financial expert—or explain why they don't. The full audit committee must review financial

statements every quarter after the company's CEO and chief financial officer certify them.

It is far from certain however, how much better public companies govern themselves than they did before the reforms. Sarbanes-Oxley fails to address the core issues that led to the accounting scandals at Enron and World Com, namely; overgenerous executive pay, little evaluation of directors' own performance on the board, corrupt management which methodically committed fraud over a period of years and a feeling among shareholders that they are left out of the director-selection process.

In this regard the obstruction case against Martha Stewart seems awkwardly absurd, when the planned fraud and theft at Enron and World Com still goes unpunished. For capital markets to have faith in SEC regulations and in fair and honest accounting numbers, the rules should be clear, unambiguous and enforced. As well Sarbanes-Oxley does not address the clarity of the SEC's existing regulations nor on how to bring to justice corporate criminals such as those that bilked investors at Enron and World Com. SEC law is still only civil and not criminally based. In this light, the dividend tax cut might be more effective than new regulations since dividend paying firms, with strong cash flow, will see their stock prices rise as they increase dividend payments. In order to grant dividends the company's accounting books will need to be fairly represented and accurate and strong balance sheets will be rewarded with good stock valuations.

These four serious issues, with their attendant economic and domestic political pressures, will probably inspire a more openly unilateralist and more demanding US trade policy positioning both in and outside of NAFTA.[464] This will be especially true if US productivity, which is the key to attracting foreign investment and in valuing share equity prices, falls far below a 2 % increase per annum, which would presage a decline in future corporate profits. Thus far in post 9-11 this has not happened with US productivity well over the 2 % barrier and double that of its major trading partners. The downside of such strong productivity is of course a lower job creation rate. As