
Commentary: No shame on Wall Street

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WASHINGTON, Nov. 7 (UPI) -- The broker is on the phone to a client with his latest recommendations: "Rather than buying individual stocks in corrupt and mismanaged companies, we suggest buying corrupt and mismanaged mutual funds." This Peter Steiner cartoon captured the sleaze of Wall Street now oozing onto the front pages of newspapers and TV newscasts day in and night out, not only in the United States, but the world over.

Most of America's 95 million fund shareholders are nescient about markets and entrust their hard-earned savings and retirement nest eggs to mutual funds. But now these are crooked, too. In fact, "the mutual fund industry is now the world's largest skimming operation -- a \$7 trillion trough from which fund managers, brokers and insiders are steadily siphoning off an excessive slice of the nation's household, college and retirement savings," said Sen. Peter Fitzgerald, R-Ill., chairman of a Governmental Affairs subcommittee.

Thus, billions of dollars have been diverted from small investors' pockets straight into the offshore tax shelters of the mutual fund nabobs who were allowed to "market time" or "late trade" their calls, tantamount to betting red or black at the roulette wheel after the little ball has already dropped in the winning slot, and the winning color is known. To become a superstar fund manager wasn't quite the challenge a Wharton graduate might have been led to believe. Fair play for the little guy and protecting the interests of shareholders are quaint biz school concepts, still taught but brusquely shoved aside by management greed.

Standard & Poor's "sets the standard as the globally pre-eminent provider of independent, widely recognized investment data, valuation, analysis and opinions." But it doesn't do windows, or rather sleaze ratings on market timing and late trading, as the see-all-hear-all organization wasn't even aware of the scam. Several big mutual fund names are now the target of class actions but the lawyers can push the envelope into years of dilatory tactics as they work their way through the legal system. Alger, Bank of America, Bank One, Federated, Janus, Putnam (lost pension funds worth \$4 billion), Strong, Alliance Capital Management, Franklin Resources, Morgan Stanley, and many others are combing their files for fire-retardant materials.

Out of 88 fund companies controlling 90 percent of the industry's \$7 trillion in assets, the SEC determined that at least half of them authorized "large" investors to play the fixed roulette wheel of market timing. The privileged few could buy funds at outdated prices and then unload them next day. The industry was replete with private jet-setting execs that think nothing of making a quick \$10 million as they pursued an esurient lifestyle.

Following the anamorphous \$187.5 million compensation package of Richard Grasso, the deposed chief executive officer of the New York Stock Exchange, who still walked away with \$139.5 million, two former execs of Tyco stood trial on a 35-count indictment that accused them of looting the company of \$600 million. Tyco CEO Dennis Kozlowski, looking much like an old Soviet-era cartoon of a cigar-chomping capitalist with a diamond ring on a fat pinkie, sat glumly through a tacky 20-minute prosecution video of a 2001, \$2 million birthday bacchanal for his wife's 40th on the Costa Esmeralda in Sardinia. A prudish judge barred footage of an ice sculpture of Michelangelo's "David" answering the call of nature by passing vodka. Also censored were sparklers protruding from the nipples of a birthday cake shaped like a naked woman.

Lipper Inc. consultants made the startling discovery that shares in a quarter of 126 international funds changed hands completely in the previous year, a tell-tale sign of market-timing. And it gets worse.

Insurance companies have been selling "variable annuities," which allow investors to pay premiums directly into the market-timing-late-trading mutual fund's shady casinos. New York Attorney General Eliot L. Spitzer, the public avenger, has caught "The Man in the White Suit," the Alec Guinness classic, when the shiny indestructible shark skin suit that symbolizes capitalist greed, unravels by pulling on a single threadlet of cloth. In multiple sweetheart deals, hedge funds paid mutual funds for a sneak preview of their latest portfolio holdings. The hedge pirates would then use the insider scoop to buy or sell before the mutual fund could get its own buy or sell into the electronic pipeline.

Nothing was spared. The U.S. indicted Richard M. Scrushy, ousted chief executive of HealthSouth, the nation's largest chain of rehabilitation and surgical centers, with 85 counts of multibillion dollar frauds.

Who got hurt? Once again, masses of lean cat shareholders, fleeced for the fourth time since the ill-advised deals between 1994 and 2001 smoked \$200 billion of shareholder values. With fat cats identified in the public at large as Republicans, the snowballing Wall Street scandals will almost certainly help reforming Democrats.

"Cowboy" or "bandit" capitalism is how much of Europe refers to what is still the world's greatest free-enterprise system. The Germans, more restrained, call it "Anglo-Saxon capitalism." But since the end of the Cold War, all Western market economies have had their share of blackguardly high rollers. Yet few are connecting the dots between Wall Street's pig-at-the-trough image, the Bush doctrine that is seen abroad as camouflage for global imperium, and a neo-Marxist revival in widely scattered parts of the globe.

What was once confined to noisy and violent leftist street protests against globalism in Seattle, Washington, Prague and Genoa, finally achieved respectability when their slogans found their way into official speeches at the recent WTO conference on global trade at Cancun. From France, where assorted hard-line communists and Trotskyites are closing ranks (polls showed their combined strength at 22 percent); to Bulgaria where former communists are resurgent at 30%; to Latin America as a whole, where politicians blame deepening poverty on Washington's rapacious policies; and including Brazil where President Lula da Silva is forming a new G3 bloc (Brazil, South Africa and India) "against" the United States -- the thunder on the left is audible.

