

Financial scandals will always be with us

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John Sharpless, a history professor at the University of Wisconsin-Madison, likes to tell a story about a person who put an expensive lock on a shiny new toolbox, forgetting that a thief could easily ignore the lock and walk off with the box.

He related the story while ruminating on the spate of scandal coming from the world of finance recently:

- € The forced resignation of Richard A. Grasso as chairman of the New York Stock Exchange after details of his \$100 million-plus compensation package became public.
- € The agreement by Merrill Lynch & Co. to avoid certain kinds of deals and accept government oversight in exchange for avoiding criminal prosecution for some of the business it did with the bankrupt Enron Corp.
- € The allegations that at least four big mutual fund companies, including Strong Capital Management of Menomonee Falls, cut deals with a New Jersey hedge fund to profit improperly from quick trades at the expense of ordinary shareholders.

In each of these cases, there were locks in place to prevent unauthorized raiding of the underlying toolbox.

And in each, the locks made no difference, or apparently made no difference in the Strong case, where the full facts have not emerged.

It is tempting to look at this and say it represents the end of an era, the blow-off of the glut of greed in both public and private arenas that gained momentum with Enron and included such things as the Milwaukee County pension scandal that forced the resignation of former County Executive F. Thomas Ament for many of the same reasons Grasso left the scene.

Tempting, but alas, not true.

What is true is that things go in cycles, and the events of the last week may represent a high point of this one.

"I think it is the apex," said Sharpless. "But we are never going to escape the people who can't escape the temptations and move in there to make a buck. . . . If you go back over the decades, Wall Street scandals seem to come around every 10 years."

So fast and thick has the recent spate of misdeeds come to light that the public may well be suffering from what Werner F.M. De Bondt, a professor of finance at DePaul University in Chicago, calls "scandal fatigue."

De Bondt, who studies investor behavior, noted that it has been difficult for the average person to keep up with the proven and alleged misdeeds on Wall Street without a long memory and supple mind. What is alleged is complicated, and resolving the allegations takes years.

"I have this feeling people have gotten used to a lot and it has become boring," he said.

"It's the old story," said George V. Reis, a veteran investment adviser in Two Rivers. "When there is bad news, don't worry, because there is probably some more to come."

Sharpless is a Republican who has attempted the dubious task of running for Congress to represent Madison. He believes his party is missing a golden opportunity by not reacting more forcefully to this run of financial scandal.

As a model, he points to Theodore Roosevelt, who took on the excesses of Wall Street at the start of the last century, earning popular acclaim and the praise of historians.

"You'd think that Republicans would be more angry about this," he said. "The guys who are crooks in this environment, they commit crimes against capitalism. (President George W.) Bush missed a chance here to be the T.R. of the 21st century. . . . (He could have) looked those guys in the eye and said 'as a president and former businessman, we don't want people like you in charge of the business community.' "

Washington can, and probably will, fashion stronger locks for the capitalism toolbox. But driven by greed, there will always be folks who find a way around them.