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Greed Is All Right

Den of Thieves
By James B. Stewart
Simon & Schuster. 493 pp. $24.95

By Max Holland

If James Stewart's *Den of Thieves* (Simon & Schuster, 1991) is just half accurate, Wall Street's mores and culture in the 1980s bore an amazing resemblance to the Mafia's. As depicted by Stewart, Wall Street was a world unto itself greased by the exchange of favors. Money, power and sex defined status. Providing for one's family was the ostensible excuse for any behavior, and only suckers played without an edge. Wall Street argot, as in "This company is going down" or "We'll squeeze the board of directors," bespoke violence, albeit of an economic kind. The universe outside was viewed with contempt, and Securities and Exchange Commission (SEC) lawyers (the cops on the beat) were fools too stupid to make it on the Street. Whenever the SEC mounted an investigation, Wall Street prized silence and loyalty above telling the truth. In practice, though, betrayal to save one's own skin was commonplace. *Den of Thieves* reads like the script from director Martin Scorsese's Goodfellas, with investment banker Martin Siegel in the role played by Ray Liotta.

The great strength of this book lies in its use of SEC documents and federal court records, supplemented by interviews, to construct a story valuable, above all, for its coherence. Readers who closely followed newspaper accounts of the criminal misdeeds of Dennis Levine, Martin Siegel, Ivan Boesky and Michael Milken, the four main culprits in *Den of Thieves*, will still have their eyes opened by Stewart, a Pulitzer Prize-winning journalist with a law degree. Even the outstanding coverage of *The Wall Street Journal*, where Stewart is front-page editor, is no substitute for a sustained narrative that weaves together new information with half-forgotten facts. In particular, the means by which the government lawyers bring down "the Russian" (Boesky) and then Milken is crucial to understanding the whole sorry mess. Half the book is devoted to that grinding, slow-motion chase, most of which has never been reported, and it is the better half of the book.

Few characters emerge with their reputations intact, fewer still with their reputations enhanced. Of the latter, the most prominent is Federal Judge Kimba Wood (a Reagan appointee, it must be pointed out), who sentenced Milken to ten years in prison precisely because he committed "only crimes that were unlikely to be detected." Wood is to this scandal what John Sirica was to Watergate, a judge who restored some faith in the system, although Sirica had to work much harder and longer. Stewart's other heroes are the SEC and Justice Department attorneys who persevered, finding resolve in the knowledge that they were, as one of them put it, "engaged in the single most important thing we would ever do in our lives.” Admirable characters outside the government are harder to find. Perhaps only Harvey Pitt acquitted himself well. Pitt, a former SEC general counsel who represented, among others, Ivan Boesky, managed to serve the interests of his clients and Justice at the same time.

That Milken emerges as the most malign individual among large cast of unsavory characters 1s no surprise. As late as 1986 Boesky seemed to have that mantle all to himself. In that year he defined the spirit of the eighties with his “greed is all right” commencement speech at Berkeley, not uncoincidentally marking Ronald Reagan’s ultimate triumph over the campus that launched the Free Speech Movement. But Stewart rightly shows that Boesky, the arbitrageur, paled next to Milken, the junk bond king. It may have been a symbiotic relationship, but it was not equal. Boesky did Milken’s bidding, and so the decade ended with Milken as the embodiment of greed.

I grew up in Los Angeles at roughly the same time as Milken, and I still find it hard to comprehend what a cheerleader from Birmingham High School (the Valley, no less) wrought. Start with Richard Nixon’s character flaws, add the zealotry and utter shamelessness of Oliver North, and the result might begin to approach Milken, an insecure, charismatic, obsessive accountant’s son who aimed to dominate the whole financial world. At some point Milken apparently decided that no big deal was going to be done without him, requiring him to seem unstoppable if not omnipotent. To this end he cheated his clients, his partners, his subordinates and his firm, Drexel Burnham Lambert. He tried to prevent publication of a book that dared criticize his junk bond empire. Once the SEC began to close in, Milken paid what amounted to hush money to try to keep his staff closemouthed. In all probability he destroyed evidence.

Finally, in a last-ditch effort to stave off certain indictment, Milken underwrote an enormous public relations campaign calculated to neutralize public opinion, if not turn popular outrage into outright acclaim. Because any Manhattan jury was likely to include black Jurors, special efforts were made to propagandize the black community. Fortunately these did not work, although Milken managed to enlist Jesse Jackson in this cynical exercise, yet another reminder that Jackson’s ego is larger than his politics.

Milken’s lawyers were a true extension of their client. Edward Bennett Williams, the attorney hired by Milken immediately after Boesky pleaded guilty, sought to protect his client from indictment by keeping everyone at Drexel “inside the tent pissing out” instead of on each other. At no time did he ever attempt to get the truth from his client, unlike Harvey Pitt. In effect, it seems, Williams connived to obstruct justice.

The tactics of Milken’s co-counsel, Arthur Liman, were even worse. When he became chief counsel to the Congressional committee investigating the Iran/contra scandal in 1987, Liman said his respect for the rule of law compelled him to put aside his lucrative corporate practice in order to perform a public service. But his defense of Milken suggests he has one set of legal ethics for government officials and another for wealthy private citizens.

Just as Ollie North and Brendan Sullivan put North's interrogators on trial, Liman sought to make Milken's critics and prosecutors the defendants. It was Liman who ordered that steps be taken to stop publication of Connie Bruck's *The Predators' Ball* "either through contacts" at Simon & Schuster "or in court." It was Liman who suggested that Milken try his case in public by hiring Linda Robinson, a P.R. flack who proceeded to try to persuade America that Mike Milken was a "national treasure" instead of a national disgrace. After Williams died of cancer, full control of Milken's defense fell to Liman, who clung to Williams's scorched-earth tactics and continued to indulge Milken's fantasies of complete innocence. When Drexel chairman Fred Joseph advocated a settlement with the SEC in a desperate effort to save the Drexel franchise, Liman accused him of "selling out" Milken, as if Drexel were an investment bank in Nazi Germany shedding itself of innocent Jewish partners. "That's the first step towards concentration camps," Liman told Joseph.

Along with his sharply drawn portraits of right- and wrong-doers, Stewart sheds light on a neglected aspect of the frenzied eighties, namely, the care and feeding of the business press and other media by junk bond and takeover artists. But Stewart raises almost as many questions about the media as he answers. Martin Peretz, editor in chief of *The New Republic*, was a big investor in Boesky's arbitrage fund. Did that fact have anything to do with the adulatory review of Boesky's 1985 book, Merger Mania, that appeared in *TNR*? (One of Boesky's assertions was that he never made any "undue profits.") And why is it that none of the major networks, or PBS, ever put together a serious documentary about buyouts and junk bonds, a phenomenon that affected hundreds of thousands of jobs, pensions and benefits? Is it because "60 Minutes" producer Don Hewitt socializes with buyout artists like Henry Kravis, or because Kravis sits on the board of WNET, the PBS affiliate in New York?

For all its power and value, *Den of Thieves* falls measurably short of the distinction some reviewers would give it: that it is the definitive book about Wall Street during the eighties. Stewart's reportorial skills are considerable, but the book is stingy when it comes to going beyond a description of who-did-what to an interpretation of why things happened. The story begs, at many points, for Stewart to stop and paint the big analytic picture before he resumes his admittedly compelling narrative. He does so too infrequently. The underlying reasons for the eighties' speculative boom are inadequately discussed in three paragraphs on page eighty-three. The devolution of deal making over the decade is largely missing, along with significant nuances in the battles for corporate control. Even the October stock market crashes of 1987 and 1989 are treated almost as asides rather than events integral to the story. The sickening transformation of Wall Street from a collective means of financing the economy into a free-for-all looting of corporate America is never fully explained.

A closely related drawback is Stewart's focus on criminal activity: insider trading, the "parking" of stocks so as to conceal true ownership, and manipulation of share prices. This emphasis is understandable, given Stewart's reliance on court documents that resulted in criminal convictions. But Wall Street in the eighties was not merely about illegality, though there was plenty of that. It was also about the utter collapse of business ethics, manipulation of the tax code by Wall Street's best and brightest, who stole shareholders blind and then justified epic displays of avarice by claiming to maximize shareholder value. None of these activities are illegal, but they constitute more than half the depravity that was Wall Street during the Reagan years. *Den of Thieves* replicates, curiously enough, the self-centered world view of Wall Street. In fact, it seldom leaves the Street (Milken's office in Beverly Hills notwithstanding). In his prologue, Stewart takes note of the big, consequential context, the corporations fatally crippled by criminal and unethical activity, the thousands of jobs lost to unserviceable debt, forced bankruptcies and depleted pension plans. But those consequences are only asserted, and never shown to be true in the same searing detail Stewart uses to reveal Boesky's insider trading. The definitive book would show what happened to Rexene, or any one of hundreds of companies subjected to Milken-financed raids or buyouts.

The exception to this parochialism is Stewart's occasional reference to Washington, but he still does not tell enough about this aspect. Never mind the do-nothing Treasury Department and the cheer-leading by economists at the SEC, which was firmly in the grip of *laissez-faire* ideologues for most of the eighties. The non-response of Congressional Democrats to Wall Street's speculative orgy should have been an important component of *Den of Thieves*. Stewart never mentions the Alliance for Capital Access, a lobbying front that Milken organized in 1985 with one purpose in mind: to beat back any attempt to rescind the tax deduction for interest on corporate debt. From 1985 through 1990 the alliance raised and spent $4.9 million lobbying Congress to protect the one deduction absolutely critical to Milken's Ponzi scheme. Instead, Stewart merely tantalizes the reader with isolated facts, such as the $23,900 in campaign donations from Drexel that helped turn liberal Senator Timothy Wirth from a critic into a defender of junk bonds.

All these gaps explain why Stewart concludes by proposing the most limited reforms imaginable, such as a statutory definition of insider trading (according to Stewart's own book, Martin Siegel always knew when he was illegally sharing privileged information despite the vagueness of current law). The problems are much more fundamental. Basic issues of corporate governance and accountability need to be reopened and resolved if the corporate form of organization is going to benefit society and not just yield unconscionable rewards to a handful of bankers, lawyers and CEOs.

Now that the eighties bubble has burst and Milken is in jail *sans* hairpiece until 1993 or thereabouts, it might seem like this story is mostly over. But recently Milken reduced Arthur Liman's role in favor of that famed lawyer of last resort, Alan Dershowitz. Milken reportedly was inspired by Dershowitz's success in the Claus von Bulow case, and there is speculation that, far from seeking a mere reduction in Milken's sentence or defending Milken in $1 billion worth of pending civil suits, Dershowitz may try to withdraw his client's guilty plea. The lawyer of last resort is using the tactic of last resort. Virtually all the negative characters in the book are Jewish, says Dershowitz, and gratuitously identified as such. To make his point, Dershowitz took out a $40,000 full-page ad in *The New York Times* attacking both Stewart's book and the person who reviewed it in that paper (occasional *Nation* contributor Michael Thomas) as anti-Semitic. Stewart also says a private detective has been asking friend about his private attitude toward Jews. It is true that Stewart neglects the sociology of Wall Street, which would show the outsider status of Jews, not to mention other minorities. Seen in this context, the criminal behavior of Milken et al. was a kind of retributive assault on corporate citadels unfairly closed to them. That is what happens when people of great ability are treated dishonorably by those in power --they break the rules. But this lapse is not proof of any anti-Semitism on the part of Stewart, it's just a shortcoming of the book.

It may take a journalist with a novelist's skills to write the definitive account of Wall Street during the eighties. Until then, read Stewart's book.

Postscript: Almost 16 years later, Wall Street is the same. Only the names have changed--and not all of them at that, viz., Henry Kravis.

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