

A look at the seamy side of Wall Street

By **Bruce Kelly**, InvestmentNews

July 10, 2006

Reading a reporter's insights into Wall Street or Washington is typically as much fun as dealing with a case of poison ivy, but Gary Weiss' latest book is an exception.

A Business Week investigative journalist turned full-time author, Mr. Weiss this spring published his second book, "Wall Street Versus America: The Rampant Greed and Dishonesty That Imperil Your Investments" (Penguin USA).

Broken into 21 zippy chapters that focus on both recent and recurring Wall Street scandals, the book tells tales of the Street's misdeeds, greed and ethical meltdowns that will be familiar to registered reps, advisers and the seemingly infinite horde in the financial services industry that support and sell services to them.

Woe to the individual investor

But it's Mr. Weiss' perspective that Wall Street mistreats the individual investor that is unique and makes the book both so much fun - and ultimately shocking.

I found his broad and savage take on ineffective securities regulators, former New York Stock Exchange Chairman Richard Grasso and mutual fund managers, among many, many others, as refreshing as an ice-cold beer at the end of a steamy day in July (and much more fun than slathering on a layer of calamine lotion).

Let's take a taste of Mr. Weiss' prose, say, his riff on operators of brokerage boiler rooms.

"Micro-cap scamsters don't mind being sued. Hell, they are not always deterred by even the threat of criminal prosecution. When civil penalties are imposed, they do not pay them ... When they are banned from the securities industry, they continue to sell stocks ... [It's like an] alternate-universe "Law and Order" of Wall Street. It goes on and on, season after season ... and in every episode, Jerry Orbach never catches the crook, and Sam Waterston is invariably humiliated in court."

How about another dollop? This time, it's Mr. Weiss' characterization of former Securities and Exchange Commission Chairman Arthur Levitt.

"Artie swept us off our feet. We all loved him. We still do ... He looked like the rich, childless uncle we all wish we could have had. But the 1990s were on Artie's watch, and he blew it, big-time, in just about every way you can imagine ... Remember [his book]? He should have called it "Take On the Street - I Sure as Hell Didn't."

In chapter after chapter, "Wall Street Versus America" leaves the reader with the disturbing impression that the deck of the financial services industry, with the Street as both the dealer

and designer of the cards, is remarkably complicated and almost always stacked against the client.

Mr. Weiss is not alone in raising such objections about Wall Street.

In off-the-cuff conversations with numerous reps and advisers over the years, many have talked about the relief they felt once they left a Wall Street firm and struck out on their own to open a registered investment adviser firm or become an independent-contractor rep.

I had lunch recently with Mr. Weiss, a voluble, straight talker from the Bronx, and asked him what he thought could be done to combat what he sees as Wall Street's fundamental dishonesty.

His answer was refreshingly direct, and he stressed that his book is not an investment guide.

"The only thing that can clean up Wall Street is for the customers not to buy the products that are going to hurt them. Ultimately, people have to take more individual responsibility for their own investments," Mr. Weiss said.

An investor's choices are limited, he believes. "The way to avoid buying bad stocks is not buy stocks," Mr. Weiss said, although he has not always followed his own advice. He advocates index funds, and perhaps closed-end funds for international investing.

Advisers partly responsible

Advisers and clients share responsibility. "I think financial advisers need to do some soul searching and not sell their customers the products that I don't want them to sell," Mr. Weiss said.

"On Wall Street, history keeps on repeating itself. It's not just the scandals and market cycles; it's also the rhetoric and the issues," he said.

"[George Santayana] said, 'We must be aware of history [lest we be] condemned to repeat it,' or something like that. With Wall Street, it's: We must know history so we may repeat it."