SPITZER2002

New York Post: Spitzer, The Reformer

By Editorial Board

Original publication: 10-13-2002

NEW YORK - New York Attorney General Eliot Spitzer has certainly become the trailblazer in reforming Wall Street.

Note, for example, that Securities and Exchange Commission Chairman Harvey Pitt - in an unprecedented move - has agreed to work with Spitzer to fully investigate outstanding cases and to develop a framework for nationwide reform in financial services industries.

Earlier, Spitzer brought a civil suit against embattled ex-WorldCom head Bernie Ebbers and four other telecom CEOs, alleging that they misled investors while taking their firms public.

The suit shines a searing light into the various conflicts-of-interest at Salomon Smith Barney, Citigroup's investment-banking unit, which handled the telecom firm's initial public offerings.

Spitzer began his crusade back in the spring by exposing Merrill Lynch e-mails showing that analysts were publicly promoting stocks in companies they were privately downgrading. Eventually, Merrill Lynch agreed to a $100 million fine and to separate its analyst practice from its investment-banking business.

We admit we've been wary of Spitzer for some time. The AG has sometimes walked a fine line between diligent public service and self-promotion.

Then again, the same accusations were made about one Rudolph Giuliani some 15 years ago during a similar period of Wall Street greed and criminal chicanery.

Trying to stop a prosecutor - like any politician - from being ambitious is like trying to stop a hurricane from blowing.

The more important question: Is that ambition being channeled for the public good? In the current situation, we would give Spitzer a qualified "yes."

Financial services make up New York's primary industry - as important to the local economy as the automotive industry is to Detroit.

Of course, financial services have an even greater impact on the national and international economies.

If there is no transparency in the industry - and no faith in the numbers coming from investment houses - the industry will be essentially killing itself.

Taking New York and possibly the entire country down with it.

Given that Wall Street is a sort of "Ground Zero" of its own in the quest to restore corporate integrity, the SEC's Pitt is wise to work with Spitzer.

For one thing, it is crucial that reform be national in scope, so that all companies are placed on the same playing field.

In addition, if there is any sense that Spitzer might go too far in the regulatory direction, Pitt can provide a useful brake.

This alliance can ultimately be good for New York - and for corporate America.