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## Soft On Corporate Crime

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The following commentary by Jamie Court was published in the [Los Angeles Times](#) on Monday, July 25th, 2005. Court is author of *Corporateering: How Corporate Power Steals Your Personal Freedom and What You Can Do About It* (Tarcher/Penguin, 2004), and runs [Consumerwatchdog.org](#).

**Ed. Note:** Hearings to confirm Christopher Cox are scheduled to begin today. [Click here](#) to learn more.

In a better world, the Senate confirmation hearings on the nomination of Rep. Christopher Cox, R-Calif., to lead the Securities and Exchange Commission would be the Democratic Party's finest hour. The hearings offer a perfect opportunity to decry Wall Street's looting of Main Street and to put the GOP on trial for creating the conditions under which corporate criminals flourished.

Instead, Democrats have been eerily silent on Cox, a right-wing Republican who wrote a 1995 law making it harder for investors to take corporate swindlers to court. Cox's Private Securities Litigation Reform Act, which became law over President Clinton's veto, has been blamed for allowing some of the nation's worst financial scandals—including those at Enron and WorldCom—to proceed unchecked. The law let corporate executives off the hook for exactly the kind of utterly misleading statements Enron Chief Executive Kenneth Lay made to keep his company's stock price artificially high.

Indeed, Cox—who President Bush has tapped as the best possible choice to be Wall Street's top cop—is the poster child for how *laissez faire*, country club Republicanism took trillions out of the pockets of Americans. If the Democratic Party can't find it within itself to stand against putting Americans' life savings in Cox's hands, the party doesn't stand for anything.

Consider his record: As a congressman, Cox voted repeatedly in the interests of Wall Street investment houses to undermine conflict-of-interest standards protecting investors and pension plans. He has voted against post-Enron proposals that would require executives to certify financial statements, strip bonuses from CEOs who falsify statements, and stop stock analysts from holding shares in the companies they cover (although he did ultimately vote for the Sarbanes-Oxley corporate reform bill when it became a *fait accompli*).

None of this is particularly surprising given that Cox's campaigns have collected more than a quarter of a million dollars from the securities and investment industry he soon may be regulating. WorldCom was the 10th biggest contributor to Cox in 2002, the year that auditors revealed the company's fraud. WorldCom Chief Executive Bernard Ebbers was recently found guilty of deceiving investors in an \$11 billion accounting fraud.

Cox's approach to corporate crime predates his time in Congress. As a private securities attorney in the mid-1980s, Cox worked for William Cooper and his company, First Pension Corp. Cooper was accused of running a Ponzi scheme, convicted of fraud and imprisoned.

After Cooper was caught, Cox, then a congressman, claimed he had not known his client was a fraud. Nonetheless, Cox was sued by investors for what they said was his role in misleading

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regulators on Cooper's behalf. Cox's law firm settled the case.

Documents from the lawsuit show that Cox, acting as Cooper's securities lawyer, represented the plan—which ultimately went bust—as "low risk," and sought to minimize state oversight of it. Cox failed to disclose to regulators that Cooper's real estate license had been suspended in another alleged fraud and that First Pension was under investigation by the SEC. Whether this violates the rules of professional conduct governing attorneys is an open question the Senate should explore. But America shouldn't choose as its chief investment cop a lawyer who tests the very limits of those rules.

So why don't Democrats seem to care? Beltway rumor has it that the Democrats are looking for a quid pro quo from Bush, under which the White House would accept Democratic leaders' choices to fill the party's two seats on the five-member SEC in return for silence on Cox. Friday, Bush announced his backing for the Democratic candidates.

Senate Democrats' willingness to accept such a quid pro quo from Bush would suggest that this party has no fight, no heart and no soul.

Cooper and First Pension Corp. took investors—largely from Orange County—for up to \$130 million. Doesn't Cox need to answer for his role as Cooper's attorney and for his statements later that he did not know about Cooper's crimes? Shouldn't we demand full disclosure before entrusting Cox with policing the stock market in which Americans have invested their nest eggs and college savings?

California Sens. Dianne Feinstein and Barbara Boxer should lead the Democrats in this battle on behalf of First Pension's victims. Cox has never publicly acknowledged shame over his role in representing a swindler who would soon be sent off to prison. It is time for an apology from Cox and for a public explanation of how a lap dog for investment houses and a convicted swindler can be the nation's investor watchdog.