

MICHAEL LEVY

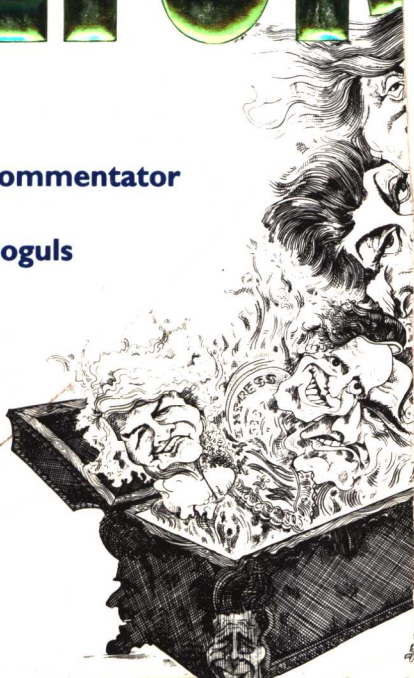
AUTHOR OF LIAR'S PO

THE MONEY CULTUR

"He is the funniest
and most trenchant commentator
on the money-mad moguls

shaping our
world today."

SA Today



The
**MONEY
CULTURE**

MICHAEL LEWIS



PENGUIN BOOKS

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Praise for *The Money Culture*

"Along with Scott Turow and Ethan Canin, Michael Lewis ought to be outlawed. It isn't merely that, like them, he is talented and witty and photogenic and unforgivably young; nor is it merely that he seems to have full mastery over the subject. Worse than all of this, like the other two he has had the effrontery to turn offhandedly to writing and to do it far better than most can with both hands on the throttle."

—*The Washington Post*

"Lewis stakes a further claim to being the wittiest critic of private enterprise since the pseudonymous 'Adam Smith' was plying his merry trade during the go-go 1960s. Young, gifted, and glib, the author delivers a wealth of deliciously wicked profiles of contemporary Wall Streeters, their offshore counterparts, and other predatory notables whose status is dollar denominated. *The Money Culture* sets a very high standard and provides an evocative, if not precisely nostalgic, record of the recent past's megabuck madness."

—*Kirkus Reviews*

"Mr. Lewis proves once again that writing about the stock market or corporate finance need not be dull."

—*Dallas Morning News*

"When the plain facts can no longer provoke a response, a deft, incisive lampooning jab is often effective." Michael Lewis successfully skewers the familiar cast of characters that pillaged the 1980s financial landscape . . . skilfully captures the previous decade in much the same way Tom Wolfe captured the 1960s and 1970s . . . and takes on the entire money culture of Wall Street, Europe, and Japan."

"Lewis is one knock-down funny Wall Street dude. At 31, the Princeton University and London School of Economics graduate is also becoming a fine financial journalist and humorist, like a James Thurber in Brooks Brothers drag. That's because the truth about financial markets is so ugly, its funny."

—*San Francisco Chronicle*

"A new collection of rollicking tales. Whether Lewis is explaining how T. Boone Pickens took a financial beating trying to pry open the Japanese stock market or why the fall of Drexel by no means signals the end of the junk-bond market, he does it with a barbed pen and a wry sense of humor."

—*BOMC News*

"With Lewis's puckish humor and inimitable writing style, the stories are entertaining and thought provoking."

—*Library Journal*

"Author of the bestselling *Liar's Poker*, Michael Lewis is an engaging writer who handles complex material in a droll and entertaining fashion. His talents are evident in *The Money Culture*. . . . Lewis is almost as perceptive as Tom Wolfe in the later 1960s when he skewered 'radical chic.'"

—*The Philadelphia Inquirer*

PENGUIN BOOKS
THE MONEY CULTURE

Michael Lewis, who grew up in New Orleans, holds degrees from Princeton University and the London School of Economics. Formerly a bond salesman with Salomon Brothers, he splits his time between New Orleans and Washington, D.C., where he is a senior editor at *The New Republic*.

This volume is affectionately dedicated to
the woman who taught me that there is more credit
in making the right enemies than in making the wrong friends:

my mother.

The iconoclast proves enough when he proves by his blasphemy that this or that idol is defectively convincing—that at least *one* visitor to the shrine is left full of doubts. The liberation of the human mind has been best furthered by gay fellows who heaved dead cats into sanctuaries and then went roistering down the highways of the world, proving to all men that doubt, after all, was safe—that the god in the sanctuary was a fraud. One horse-laugh is worth ten thousand syllogisms.

—H. L. MENCKEN

Introduction

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At the beginning of the last decade there was a kind of moral fad in parts of the United States that spread almost immediately to the capital cities of industrial Europe. The age old Anglo-European taboo of handling money was shoved offstage by the sheer force of events in the financial world, clearing the way for a new money culture.

The change most obviously affected the behavior of the well-to-do. The fortunate offspring of the *ancienne noblesse*, who would have been expected to enter the quiet professions or perhaps a genteel family business, went into predatory trade. Heirs to old New England fortunes raised so far from financial reality that they could hardly balance their checkbooks suddenly wanted to stage hostile raids on America's corporations for the greater glory of Goldman Sachs. Of course, it wasn't only the rich who wanted to experiment with financial terrorism. The rich were just the tracer dye in the water, the clearest evidence of cultural drift.

All those young studs with gleams in their eyes who streamed from Harvard and Stanford onto Wall Street are said to have been greedy. I don't believe this for a minute. Greed for money—for the

sake of money alone, rather than its attendant status—requires years of practice to learn. It is a rare trait in young people, especially in those who have never tasted deprivation. The money was important, but mainly as a way of keeping score. The appeal of the new financial world to a young person was its promise of drama. For a brief moment there was this corner in the world economy that didn't require you to grow up the way American businessmen usually grow up. You didn't have to be Babbitt. You didn't have to submit to the Establishment.

On the contrary, many of the trendsetters in the new money culture had antiestablishment credentials; that counterculture gurus such as Jerry Rubin drifted in the 1980s onto Wall Street was no accident. Bruce Wasserstein, the patron saint of the hostile takeover, had worked for Ralph Nader. Michael Milken, who created the market for junk bonds, left Wall Street for California, where he built an empire in the spirit of bohemia upon the foolishness of Establishment bankers and captains of industry. He said that finance was an art form—an art form! Lewie Ranieri, who created the market for mortgage bonds, had to be ordered by his chief executive officer to buy himself proper business suits (“I hate these suits,” he told me). You had only to spend about five minutes with these people to realize they didn't see themselves as part of orthodox business culture. They saw themselves romantically, as guerillas in the corporate jungle. They were fanatics with attitudes.

Their style of business travelled much better than they did themselves. By 1984 any city with a financial district was swarming with versions of the American idea of success. Paris had its golden boys; London had its yuppies. Young Italians, Germans, Swedes, and Swiss poured into London looking for work in the European branch offices of American investment banks. From Tokyo there was token resistance—the elite graduates of Tokyo University were slow to forego the safety and discomfort of Japanese corporations for the high drama of American investment banks. But they did. And before long a style of capitalism had become one of America's leading cultural exports. It had all begun with seemingly dry and boring changes in technology, financial regulation, and levels of debt in America, but it ended with a revolution in everyday commercial behavior.

The pieces collected in this book are set mainly in and around the new money culture. They all relate, in one way or another, to the marvelous commercial madness of the 1980s. I've ordered them geographically, with a section each on America, Europe, and Japan. I won't pretend they were written with the intention of herding them between hardcovers; but I don't intend to apologize for them either. After all, this is how I make my living these days.

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PART I

NEW WORLD

In 1985, the average income of the ten best paid people on Wall Street rose from \$29 million to \$51 million, and everyone involved traded in his gold American Express card for platinum. One night early that year, Stephen Joseph, a partner of the now bankrupt Drexel Burnham made what seemed to be a routine business trip to Minnesota. The only unusual thing about it was that he visited his client in his home and stayed late for drinks. In the course of the evening Joseph happened to mention how much he expected to be paid. The number made an impression on the client's seven-year-old-son, who was eavesdropping on the staircase. Two days later the boy handed his father an essay he had prepared for school. It was

called *What I Want to Be When I Grow Up* and almost perfectly captured the mood of the day.

I want to be an investment banker. If you had 10,000 shares [sic] I sell them for you. I make a lot of money. I will like my job very, very much. I will help people. I will be a millionaire. I will have a big house. It will be fun for me.

While those words were being written, I was interviewing for jobs on Wall Street. I eventually landed at Salomon Brothers, where I occasionally helped people, but more often helped myself. In my spare time I wrote. Several of the pieces included here were written in the evenings, after a day spent in a training program in New York or on a trading floor in London. A daytime job was an enormous and perhaps unfair advantage for a writer. It enabled me to watch people when they didn't know they were being watched and disabused me of any illusions I might have had about Wall Street or its leaders, who were my bosses. In my defense I can only say that my bosses knew what I was doing all along; one even took it upon himself to read my pieces before they appeared in print.

There was one exception. After the stock market crash of October 1987 I surreptitiously published an article entitled "When Bad Things Happen to Rich People." I used a female pseudonym, Diana Bleeker, mainly because I didn't want to be fired. I assumed that the rampant chauvinism of the Salomon Brothers traders would blind them to the possibility that a man might hide behind the name of a woman. I admit that while it was all very cowardly, I thought it was all very clever, as well as pleasing to my mother, since Diane Bleeker was the first

two parts of her maiden name. It would have been even more clever and pleasing if I had spelled it correctly and if the article, when it appeared, had not announced beneath the byline "Diana Bleeker is a pseudonym."

Anyway, the piece contained a paragraph or two of criticism of Salomon's Chairman and CEO, John Gutfreund, as well as a few lines of description that could have come only from someone who had seen the Salomon Brothers trading floor. Skepticism about one's bosses, however well-earned, is not universally appreciated, even in the upside-down world of an American investment bank. The day the article appeared it was copied and distributed on our trading floor. Before long I had several calls from traders who wanted to know if Diana Bleeker was me. Then something happened that I never expected. Instead of being angry or upset, John Gutfreund—give the man credit—was amused. He thought Diana Bleeker was *funny*. He thought she was so funny that he rose during a lunchtime meeting of Salomon's 109 managing directors and read aloud from her piece. Apparently they didn't all find her equally amusing.

A couple of days later the managing director responsible for me flew the red eye from New York to London. In itself this wasn't unusual. He'd take the overnight flight every few months to check on us and maybe do a bit of shopping. But normally he'd nap in his hotel room for a couple of hours before he visited the office. This time he came without the benefit of sleep. I recall that he looked as if he were running on amphetamines as he stormed through the office door.

The man was troubled. That made two of us. He came straight to my desk—also unusual as protocol demanded he check in with the head of the office before hobnobbing with us grunts. He smiled his most disarming smile. And he said, "I would just like to know one thing. Did you write that article?"

"Think about it," I said. "Do you really want to know?"

And he thought for a minute. Then he said, "No, don't tell me. Do not tell me. I don't want to know."

Now he'll know.