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FROM INVESTMENT NEWS.COM: IN DEBT WE TRUST IS NOW ON INDUSTRY RADAR SCREEN

Paulson changes subject to Social Security

By Charles Paikert
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The pension reform and estate tax bills got all the attention in Washington last week, but new Treasury Secretary Henry Paulson also got into the act, placing Social Security - another perennial hot-button issue - back on the political agenda.

Never accused of being a shrinking violet, he came out swinging in his first speech since moving over from New York-based Goldman Sachs Group Inc.

Despite the battering his new boss' Social Security reform proposals have taken in Congress to date, Mr. Paulson signaled that the administration is ready to take up the fight again. The major budget issue that the country faces, he declared, "is the longer-term structural entitlements challenge staring us in the face."

Movie gadfly

Will the financial services industry have to fend off a Michael Moore-like attack from a documentary filmmaker?

Author, journalist and filmmaker Danny Schechter has begun screening his new documentary, "In Debt We Trust: America before the Bubble Bursts," and is hoping to line up commercial distribution by the end of the year.

Whether the new documentary will have the effect of Mr. Moore's "Fahrenheit 9/11," which grossed more than \$100 million, is open to question.

But there is no doubt that Mr. Schechter is going after the financial services industry with guns blazing.

Before screening the film in upstate New York, he told The Woodstock Times that the country's dependence on debt has become a crisis and that the financial industry is being "protected by an absence of regulation on a bipartisan basis."

For good measure, Mr. Schechter described "powerful financial institutions dominating the economy and the society [as] a sort of credit and loan complex very much like the military industrial complex."

Duking it out

Treasury Secretary Paulson pleased his former corporate colleagues by taking a jab at the Sarbanes-Oxley Act.

Although he didn't directly refer to the controversial compliance law, he did say that "often the pendulum swings too far" when it comes to "corrective measures" to address corporate scandals.

But Securities and Exchange Commission Chairman Christopher Cox defended the law in an interview with The Financial Times.

Section 404 of the law, which requires top corporate executives to both sign off on detailed internal controls and have them audited externally, has drawn the most criticism. While calling the provision "benign," Mr. Cox also conceded in the interview that "the implementation has been lacking."

Meanwhile, Rep. Tom Feeney,

R-Fla., a critic of the law, called on the SEC to make changes, charging that "an overly zealous implementation" of section 404 has become too burdensome for American business.

Ups and downs

Although the massive heat wave that gripped much of the East and the Midwest last week finally broke, some big names in the financial world still may be sweating.

New York-based Citigroup Inc. was knocked off its perch as the world's biggest bank in terms of assets by fast-growing rival London-based HSBC Holdings PLC.

HSBC reported assets of \$1.74 trillion as of June 30, topping Citigroup's \$1.63 trillion in assets for the same period. HSBC's assets grew by 16% in the first half of the year, compared with 9% for Citigroup.

Meanwhile, Bill Miller, the famed portfolio manager whose Legg Mason Value Trust fund has beaten the Standard & Poor's 500 stock index for an unprecedented 15 consecutive years, also has taken his lumps, reporting "a dreadful second calendar quarter" in a letter to shareholders last week. The fund lost 5.67%, he reported, compared with the market's slip of 1.44% for the quarter. Year-to-date through Thursday, the fund was down 8.94%, trailing the index by 12.62%.

Mr. Miller blamed his positions in such sectors as the Internet, managed care and homebuilding.