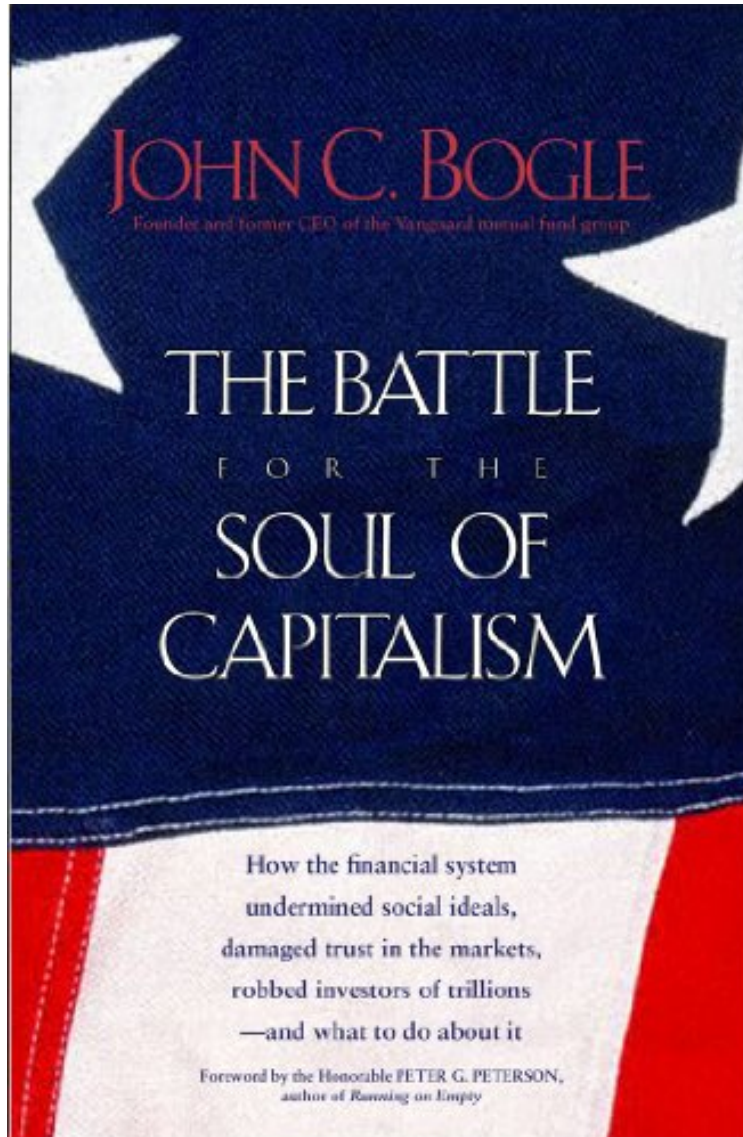


## The Battle for the Soul of Capitalism

*John C. Bogle*

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**John C. Bogle : The Battle for the Soul of Capitalism** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Battle for the Soul of Capitalism:

2 of 2 people found the following review helpful. An excellent examination of Cronyism and De Facto White Collar Theft in the Financial Sectors (with Solutions!!)By YodaBogle, in his book, makes an excellent case that shareholders and investors in the financial sector have been taken for a ride by those in positions of fiduciary responsibility (i.e., primarily high level corporate officers and fund managers). Bogle separates his book into four sections, one examining shenanigans at the individual corporate level (mostly involving corporate governance), the second involving

shenanigans by the mutual fund industry, the third involving those by other sectors of the investment industry and the fourth, most refreshingly, proscribing a set of reforms to mitigate against the problems discussed in the previous three chapters. Bogle, in the first three chapters, does an excellent job at overviewing and elaborating on the so many ways that high-level corporate officers and fund managers have been robbing their shareholders and investors blind. These include packing corporate boards with dependent cronies that serve as de facto "yes men" in setting up their own outrageously high (at least independently of performance, which seems to bear no resemblance to performance) pay and bonuses, setting up "off book" accounts intermingled with corporate funds and then using personal funds to engage in non-market price transactions with their own companies (which, of course, always benefit them at the expense of the company), for example. It should be stressed, though, that Bogle not only examines commonly known scams such as the two above mentioned, but a whole slew. Many of these are not very well known to even many astute investors. Of course this does not mean he lists them all. The reason for this is that the book was written in 2002, immediately after the high-tech bubble of the late 1990s burst. Hence some shenanigans that came to light since then, for example the practice of "back dating", go unmentioned. In the final section of the book Bogle provides an extensive list of solutions to these many problems. Many have been already proposed by others such as Warren Buffet. Example includes providing shareholders with a greater voice, in terms of voting, with regard to officer remuneration. Another is to establish de facto independent pay boards that determine officer remuneration. A third is to separate the audit and consulting functions performed by auditing firms. The sad fact of the matter is that since this book was published about 10 years just about the only reform that Bogle has mentioned, despite the self-evident merits of the reforms he discusses, has been the portion of Sarbanes-Oxley that breaks out auditing firm's audit and consulting functions. Bogle concludes, in the final paragraphs of his book that the reforms he lays out will, eventually, be passed in his opinion because they are beneficial to share and mutual fund owners and are essential to keeping the investing public's faith in the financial markets. Unfortunately he also states, quite explicitly, that these reforms may take a very, very long time to pass. This is not very reassuring to those investors who have lost money in the past and will continue to lose money as a result of these shenanigans.

0 of 0 people found the following review helpful. The case for index investing  
By Barbara Newman  
This book is worth your time. It outlines how there have been philosophical changes in American Business in the last 50 years at the corporate, investor, and mutual fund levels. Owners of business and investors in mutual funds have less control over their outcome and the managers have more control. The central thesis of the book is that the managers have more self interest in the bottom line and manage only for short term gain. This contrasts to ownership control which result in a focus on long term welfare of the business and quality of the product. The last part of the book focus's on the mutual fund industry and shows how managerial greed has skimmed off a lot of profits that should go to the investors (public owners). The case for index investing becomes more apparant and this seems logical since John Bogle the founder of Vanguard wrote it. It got a 4 because I felt that Bogle at times was too repetitious and could have used more concrete examples in the book, but I learned a lot.

6 of 6 people found the following review helpful. Nobel Prize Material--Final Review  
By Robert David STEELE Vivas  
This book is a work of genius and integrity, with the potential to catalyze Wall Street into fulfilling the promise of moral capitalism and community ownership. Here are some highlights from my flyleaf notes:  
+ America is no longer an ownership society--financial intermediaries "own" everyting and the individual owners are passive  
+ We can find the wisdom and will to restore moral capitalism  
+ Earnings have been manipulated and misrepresented.  
+ Executive compensation plus lax accounting and the fiction of quarterly earnings versus actual cash flow have hollowed industry out.  
+ Profound conflict of interest exist across all fronts  
+ Fund managers have siphoned off one fifth of the gross value of the funds.  
+ Our business world chose the wrong bottom line, and ignored the importance of sustaining human, social, and community capital  
+ Stock options aqre out of control.  
Seven specific Conference Board suggestions:  
1) Corporate citizenship  
2) Separate ownership from management  
3) Fix the stock option mess  
4) Pay on performance not peers  
5) Return to long-term focus  
6) Let sunlight shine on accounting  
7) New mindset for Board (aggressive stewardship)

Page 103: "Investment America went wrong, then, because in the contagious enthusiasm of the day, financial engineering and manufactured earnings became the coin of the valuation realm, accepted by corporate managers and investment managers alike. What is more, the emphasis on short-term price came to overwhelm the reality of long-term value, as investors failed to honor the distinction between investment and speculation drawn by John Maynard Keynes six decades earlier." In my view, this book, and three others, should comprise the Christmas reading list for all adults:

Independents Day:  
Awakening the American Spirit  
Day of Reckoning: How Hubris, Ideology, and Greed Are Tearing America Apart  
A Power Governments Cannot Suppress  
I am personally committed to the non-violent legal ethical overthrow of the existing pathologically inept federal government and its politcal leaders in both Congress and the Executive who lack morality, intelligence, integrity, or conscience. Dick Cheney, not George Bush (a village idiot) is their poster child. I find it truly gratifying that a man of such financial stature as John Bogle now articulates and inspires the remorse that Wall Street must feel for running the Earth into the ground. Below are other books I recommend as a reading list toward November, five about the bad, five about the promise:

The Bad (see my reviews):  
Vice: Dick Cheney and the Hijacking of the American Presidency  
The Broken Branch: How Congress Is Failing America and How to Get It Back on Track (Institutions of American Democracy)  
Legacy of Ashes: The History of the CIA  
Fog Facts: Searching for

Truth in the Land of Spin  
The Good (see my reviews):  
The Politics of Fortune: A New Agenda For Business Leaders  
The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits (Wharton School Publishing Paperbacks)  
The Wealth of Networks: How Social Production Transforms Markets and Freedom  
God Bless America.  
We can unite and fix this. Check out Reuniting America (Unity 08 is a fraud, the last gasp of the spoils system).

There is no one better qualified to tell us about the failures of the American financial system and the grotesque abuses that have taken place in recent years than John Bogle, who as founder and former chief executive of the Vanguard mutual funds group has seen firsthand the innermost workings of the financial industry. A zealous advocate for the small investor for more than fifty years, Bogle has championed the restoration of integrity in industry practices. As an astute observer and commentator, he knows that a trustworthy business and financial complex is essential to America's continuing leadership in the world and to social and economic progress at home. This book tells not just a story about what went wrong but, more important, the story of why we lost our way and of how we can right our course. Bogle argues for a return to a governance structure in which owners' capital that has been put at risk is used in their interests rather than in the interests of corporate and financial managers. Given that ownership is now consolidated in the hands of relatively few large mutual and pension funds, the specific reforms Bogle details in this book are essential as well as practical. Every investor, analyst, Wall-Streeter, policy maker, and businessperson should read this deeply informed book.