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You Say Wells Fargo, He Says Enron... And Corporate Fraud Ain't Over Yet

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Michael Levin

NYT Bestselling Author, Amazon Kindle #1 Business Book Author; CEO, BusinessGhost.com, BooksAreMyBabies.com, NY Daily News columnist

Every time Larry Katzen hears the name Wells Fargo, he flashes back on Enron. And with good reason.

Katzen, author of *And You Thought Accountants Were Boring: My Life Inside Arthur Andersen* (which I edited), was a Midwest regional managing partner at Andersen when the Houston-based giant went belly-up.

Katzen sees numerous comparisons between what happened at Enron and what's happening at Wells Fargo today — so many, in fact, that he's convinced we haven't seen the last big-time corporate fraud.

Not by a long shot.

“Contrary to the political rhetoric,” Katzen insists, “companies don't commit fraud. People do.” And when you have an institution where tens of thousands of people work, sometimes you will have a bad apple.

“Unfortunately, sometimes that bad apple is at the top of the tree.”

Katzen, whose experiences during the tremulous last days of Enron are depicted in Christian L. Rehr’s screenplay, *85,000* — a movie they hope to produce which tells the true story of the demise of Andersen.

He offers a laundry list of comparisons between the two situations and the way the government has bungled the handling of both.

To wit:

1. Both Enron and Wells Fargo were accused of fraud by executives to increase earnings.
2. Board oversight was lacking in both companies.
3. The government started circus hearings and went after the CEO and executives of Arthur Andersen and Wells Fargo before all the facts were determined.
4. The media started pointing fingers before all the facts were known. In both Enron and Wells Fargo, the government pointed the blame at their outside auditors, even though they were not involved with the crime
5. All three companies - Wells Fargo, Enron, and Andersen - were among the largest in their respective industries, and their reputations were tarnished (or destroyed) by the actions of a few.
6. The CEOs of Wells Fargo and Arthur Andersen were with their respective companies for over 30 years and the government influenced their early retirement before the investigation was completed.
7. Both Wells Fargo and Arthur Andersen were ill prepared to handle a crisis, and both took out full-page ads in the Wall Street Journal to plead their case—to no avail.

“The government has a bipolar approach to corporate fraud,” Katzen says. “On the one hand, to send a message they like taking scalps or even shutting down entire institutions, as they did with Andersen. But that just makes good headlines.

“On the other hand, when it comes to actual regulation of corporate behavior, or criminal prosecution of these bad apples, the government practically turns a blind eye.”

In other words, it’s easier for the Feds to turn a business crisis into photo ops, hearings, and headlines than to do actual investigative and regulatory work.

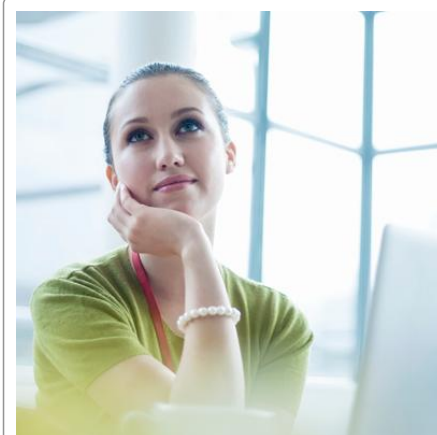
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Which means, Katzen believes, that it won't be long until we are witnessing yet another Enron or Wells Fargo-sized debacle.

"The government has power to shut down entire corporations," Katzen says, as they did with Arthur Andersen, putting 85,000 innocent people out of work.

"It's easier to do that than recognize who's really at fault and just punish them."

In other words, you may commit fraud but your company will get busted, not you personally.

In the movie *85,000*, a loyal and honest company man is caught up in the blowback of Enron's massive malfeasance when the Department of Justice blames his accounting firm. He must navigate the wreckage inflicted on his personal life and rise up to save as many employee jobs as possible.

Katzen, a proud Arthur Andersen man to his dying day, points to the fact that the United States Supreme Court concluded that no one at the now-defunct accounting firm had committed any wrongdoing.

But by the time that ruling came down, Arthur Andersen had long been put out of business.

"Think about the 2006-2007 market crash," Katzen says. "Think back on all the destruction Wall Street caused. And yet, not a single person went to prison, despite all the fraud and chicanery. Not a one."

As long as the government takes the "bipolar" approach of which Katzen accuses it, shutting down companies and firing CEOs instead of tedious, less headline-grabbing work of identifying and prosecuting individuals for criminal behavior, "there is less disincentive to fraud," as Katzen says.

"What's the worst that could happen to you? Chances are, you'll get away with it and you'll make tens or hundreds of millions of dollars, while being considered a corporate hero in the process.

"The message to Corporate America is that you can steal your way to the top. Any CEO with a taste for greed looks at how the Feds treated Wells Fargo and has to conclude, 'I can get away with almost anything. If I get caught, I'll just retire, and I'll just let the shareholders, customers, and employees pay the price.

"It's enough to make an accountant like me weep."

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