# RALPH NADER RADIO HOUR EPISODE 481 TRANSCRIPT

## Cold Open

**Ralph Nader:** How do you want to refer to them? They like to be referred to as private equity, but we're not wedded to that. Do you want to call them something else?

**Gretchen Morgenson:** Well, I hate to use vulture, because animals and birds only kill what they need to eat.

**Ralph Nader:** Right.

**Gretchen Morgenson:** And these people do more than that. They're predators, predatory capitalists.

**Steve Skrovan:** It's the *Ralph Nader Radio Hour*.

**Steve Skrovan:** Welcome to the *Ralph Nader Radio Hour*. My name is Steve Skrovan, along with my co-host, David Feldman. Hello there, David.

**David Feldman:** Good morning.

**Steve Skrovan:** And the man of the hour, Ralph Nader. Hello, Ralph.

**Ralph Nader:** Hello, everybody.

**Steve Skrovan:** The voices you heard in that cold opening were Ralph and our featured guest today, *New York Times* journalist and financial/business columnist and Pulitzer Prize winning bestselling author, Gretchen Morgenson, discussing the proper term to call the subjects of today's program. The first time I heard the term vulture capitalist was during the 2012 presidential campaign to describe Republican candidate Mitt Romney and the company he co-founded, Bain Capital.

Bain specializes in taking over companies in what's called a leveraged buyout, saddling them with debt, firing workers, then stripping the company's assets and selling the parts for a healthy profit. Companies like that are part of a small, elite group of Wall Street financiers in the business called private equity. Ms. Morgenson and her co-author, Joshua Rosner, have co-authored a book titled *These Are the Plunderers: How Private Equity Runs – And Wrecks – America*, and that title pretty much says it all.

We're going to spend the entire program diving into the details with Ms. Morgenson. Of course, it wouldn't be a *Ralph Nader Radio Hour* without the *Corporate Crime Report* from our intrepid corporate crime reporter, Russell Mokhiber. But first, is vulture really too nice a word for the titans of private equity, David?

**David Feldman:** Gretchen Morgenson is the senior financial reporter for the NBC News Investigative Unit. A former stockbroker, she won the Pulitzer Prize in 2002 for her "trenchant and incisive" reporting on Wall Street. Previously at the *New York Times* and the *Wall Street Journal*, she and co-author Joshua Rosner wrote the bestseller Reckless Endangerment: *How Outsized Ambition, Greed, and Corruption Led to Economic Armageddon* about the mortgage crisis. Their latest book is *These Are the Plunderers: How Private Equity Runs—and Wrecks—America*.

Welcome to the *Ralph Nader Radio Hour*, Gretchen Morgenson.

**Gretchen Morgenson:** Thank you so much for having me.

**Ralph Nader:** Welcome, Gretchen. Listeners, please have patience here, because the way corporate criminals get their way is by trying to make things too complex and too abstract from your daily lives. But when Gretchen talks about these plunderers, and let's call them "predatory capitalists", don't think that you're not being affected—whether your loved ones are patients in nursing homes, whether you are workers being laid off, whether you are consumers being gouged for drug or healthcare prices, whether your community is going to be hollowed out because the company that was doing okay was taken over by these vultures and closed down after they extracted its wealth. So bear with us. We're going to walk through this plunderland and we hope that you'll get interested enough in terms of what Gretchen's recommendations by way of corrective action, which of course involves Congress, the Federal Trade Commission, the Justice Department, and all the institutions we've talked about that you need to remind of your sovereign power under the Constitution.

So let's start with this Gretchen. These predatory capitalists are in control of large pools of money. They get it from corporate surplus money. They get it from pension plans. They get it from individual, very wealthy people looking for big returns. They're not satisfied with mere stock market returns; they're looking for big returns. And so these predatory entrepreneurs look around for takeover targets. They see companies that may be low-valued in the stock market or mismanaged or vulnerable in other ways, and they develop something called the leveraged buyout, which is the tool they use. Can you explain in simple English what is a leveraged buyout?

**Gretchen Morgenson:** Sure, Ralph. The key to this predatory capitalist business model that makes it so pernicious and so problematic is the heavy use of debt. So what these firms do is spy a company that they want to take over and they use corporate debt to do so. They raise money in the corporate bond market. And instead of raising money themselves, they put the debt on the company that they want to buy so it effectively finances the acquisition for the transaction. But the key here is that generally speaking the debt is very high and it immediately hobbles the company that has taken it on. And what that means is that these men, and they generally are men who are running these companies, have to cut costs elsewhere around that company. Usually, the workforce is the first entity to get the cut. The biggest expenditure of many companies is its labor force, which often is the first to go. Jobs are slashed after these company acquisitions using heavy amounts of debt. They also cut corners in other ways to make ends meet because the company now has to pay enormous amounts of interest expense on the debt that was used to finance the transaction.

**Ralph Nader:** Explain the debt. Let's say the company they're taking over is Ajax Corporation, how do they indebt the company, they take over enough shares to get control? They collude with the CEO who wants a big payout for this scheme? Exactly how do they do it?

**Gretchen Morgenson:** Initially they take over the shares, especially if it's a public company. If it's a private company, they arrange to buy the company out with whoever are the current owners. After buying the shares, they immediately raise debt in the capital market. So Ajax Corporation would immediately raise corporate bonds to fund the transaction. That's how it works. They buy the equity first, and the company immediately takes on debt to pay them back. They continue to levy debt on these companies so that they can extract the money and the returns that they're looking for. It's generally speaking, not just a one-time debt raise: it's several times over several years. And that is how these predatory capitalists pay themselves back, even though the company is becoming more and more distressed because of the heavy debt.

**Ralph Nader:** Okay, now listeners, we're going to start getting very concrete. These are predatory capitalists that just use money to make money with huge tax loopholes and political influence in Washington. They're quite unlike, in their unparalleled greed, the robber barons of the late 19th and early 20th centuries. Whatever you can say about these robber barons in the old days, they produced stuff. Carnegie produced steel. Rockefeller produced oil. Others produced textiles. They mistreated their workers; they gouged; they enriched themselves for sure. But these predatory capitalists produce nothing of daily use for people—no necessities-of-life products or services in the marketplace. They basically use the leverage of money and the loopholes in the tax system to make massive wealth for themselves. One of these guys, Steve Schwarzman, Chairman, CEO, and co-founder of Blackstone made $250 million in one year, and then another year he made over a billion dollars. So let's go very concrete, Gretchen, with my question. Who was Katie Watson?

**Gretchen Morgenson:** Katie Watson was a toddler who went into the hospital in Arizona and she did not receive the treatment that she should have. She had pneumonia. It was a devastating illness and she became disabled, could not walk. She was basically devastated by this hospital treatment, which generated a large malpractice court award. In that court, the judge advised the family to buy an insurance policy to cover Katie's care for as long as she would live. They did so. They went with a highly rated insurance company called Executive Life, which was very well known back in the late '80s, early '90s. They bought this policy and they were doing fine with it, but all of a sudden Executive Life failed. This was during the junk bond crash after Mike Milken and Drexel Burnham imploded on the scene in the late '80s. And Executive Life had been a big buyer of junk bonds, so its collapse affected people like Katie Watson. She wound up getting a fraction of what she was promised by the insurance company because California seized it. They seized the company and they sold it to a French bank and the French bank's partner, Leon Black, now of Apollo and Apollo's founder.

The reason we tell this story in the *These Are the Plunders*, Ralph, is that this was a template for the kind of "me first" activities that these firms conduct, where many people end up being hurt by the activities, but only a small portion, a tiny elite group winds up winning. So we had a situation where Leon Black wound up making billions of dollars by buying this insurance company when it was at its lowest. He rode the value of the assets up and wound up paying the policyholders considerably less than they had been promised. That was the decision of the insurance commissioner for the state of California. But we cite this case because it was the template for the heads they win, tails we lose aspect of this kind of capitalism.

**Ralph Nader:** Just look at the effect on Katie Watson. She was helpless. She needed 24-hour care seven days a week. And her parents won a malpractice award. The judge suggested they invest a lot of it in this so-called safe insurance company, Executive Life, which was then going to provide $9,000 a month for 24-hour daily care for their little daughter. And it ended up where they could not get that $9,000 because of the vulture capital predatory takeover of this once sound company. So they strip-mined it for their own wealth and extracted the assets. And what happened to Katie Watson's parents? How did they have to adjust in their daily life, housing and where they lived?

**Gretchen Morgenson:** Her parents were not going to change the setup. They wanted to continue to take care of Katie. They did not want to put her in a lower-cost home or that kind of a situation. So they kept at it. They kept her at home but they did wound up losing their home to foreclosure because they could not afford to pay the upkeep on the home in addition to paying for her care. When they lost their home, they had to downsize. Some of Katie's siblings had to take jobs to help the family make ends meet. But at the end of the day, Ralph, Katie received a couple of million dollars less than what she had been promised. So over the course of time, it really added up.

**Ralph Nader:** Katie represents millions of victims of these predatory capitalists. Let's go to a factory that was prospering and producing aluminum in Missouri on the Mississippi River. How did these predatory capitalists deal with that one and what happened?

**Gretchen Morgenson:** This was a company called Noranda, Ralph, and it was an aluminum mill in town in the Bootheel region of Missouri. And that's the southeastern portion of the state. Not a wealthy region of the state, considerably high poverty level, but this company had generated very good jobs for the entire town of New Madrid, Missouri.

**Ralph Nader:** 2500 workers.

**Gretchen Morgenson:** 2500 workers, correct. They were proud of the smelter. They were proud of having a viable company that had been there for decades. Some of the workers' parents and grandparents had worked there. It was an institution in the town. It also was responsible for 30% of the tax rolls and the school system tax rolls. So it was a huge contributor to the town and to the community.

Well, Apollo, again, this is the firm founded by Leon Black, came along and bought the smelter, and proceeded to extract three times their investment over the course of several years out of Noranda by raising debt on the company. So Apollo sucked out three times their investment out of Noranda by raising debt on the company. Although that was an immediate fix for Noranda, the company began to have trouble paying the debt, so jobs had to be slashed. Over time, the company was devastated by the activities of Apollo, and it began to falter. Then there were layoffs and then more layoffs.

Noranda then ~~the company~~ decided that it was going to ask for a rate decrease from the electric utility that provided its electricity. Obviously, that was a big expense for the company running the plant 24/7. So the company was able to strong-arm the local politicians into reducing their electrical rate to try to keep the company operating. None of these problems t encountered by the company—the layoffs and the requests for a lower utility rate—would have happened if Apollo had not loaded it up with debt that hobbled the company—the debt that allowed Apollo to reap three times its investment. So it's a perfect example of how these transactions hurt a broad array of people and enrich a very few. So you end up having, in this case, state ratepayers. In other words, people in Missouri had to make up the difference between their former electric bills and the electric bills that became higher because the mining company Noranda got a rate cut.

**Ralph Nader:** An aluminum smelter uses huge amounts of electricity. This is the example why we're interviewing Gretchen Morgenson, winner of the Pulitzer Prize on her book, together with Joshua Rosner called *These Are the Plunderers: How Private Equity Runs—and Wrecks—America*. And listeners, we're going to get to the counterattack later in the program. But one area that these predatory capitalists have moved into is healthcare—buying up doctors' practices and hospitals. They are basically engaged in strip-mining this essential service. Nurses are required to work more to serve more patients per day, so more money can be saved for these plunderers.

I'm going to ask Gretchen about a case study she wrote about in the book. Manor Care was a nursing home chain. It had dozens of nursing homes all around the country, and it was fairly well regarded until the Carlyle Group in Washington, D.C., founded by David Rubenstein, who had been a White House aide to President Jimmy Carter, got his eye on Manor Care. Now please run us through, Gretchen, what happened here, because I want people to realize that the impact here is on them—the workers, the patients, the insurance policy holders, and the pension holders. We'll get to the pension investments in a moment. How did the Carlyle Group wreck Manor Care? And what was David Rubenstein's role in it?

**Gretchen Morgenson:** David Rubenstein was a co-founder of Carlyle Group, instrumental in creating the firm and very powerful. Although he might not have been involved in the nitty-gritty of this particular transaction to buy Manor Care, he certainly was overseeing the firm at the time. Manor Care and Carlyle is another perfect example of how these private equity predators wind up extracting all of the value from a company and then leaving the patients and the workers holding the bag.

Manor care, as you pointed out, was well run. They had a chain across the country. They owned the land under their nursing home properties, which meant that they didn't have high rental costs, so they were not paying a landlord to rent their spaces. They were essentially sitting on their own assets in this case. What Manor Care wound up doing under Carlyle, was selling the real estate under the nursing homes so that Carlyle could extract the money that it had invested in put into the company. HELP HERE STEVE. I'm reading through/final proof without audio so don't know the minutes reference point, into the, several years after the investment was made. So when they sold the land underneath the nursing homes, Carlyle essentially was free and clear, had got its money back, and everything after that would be gravy.

That meant good things for Carlyle to get the money back and a return on its investment. But ~~what it meant~~ for Manor Care it meant that the company had to start paying rent to the new owner of the land underneath their nursing home properties. This was a disaster that ended predictably in bankruptcy. The company could not make the payments and the company filed for bankruptcy. Now an interesting piece of the Manor Care puzzle also is the charges of Medicare fraud levied by the Department of Justice and by internal whistleblowers who had seen the company improperly bill Medicare for patients' therapy services.

So at the same time that you're having this or subsequent to the bankruptcy, an investigation by the Justice Department into the Medicare fraud at Manor Care took place. At that same time, the *Washington Post* published, a series of scathing articles on how the quality of care had diminished under Carlyle's ownership of Manor Care. Additionally, the workers, who were concerned at the outset when the transaction occurred, were worried that there was going to be a change—that they were going to be made to work harder, and that there would be other problems for them. So, SEIU, the union representing Manor Care workers bargained for Manor Care to agree to to continue to treating workers the same way, that care quality would remain the same, and people would not be fired. This is a great case in point where the promises made were not delivered to the stakeholders involved—the patients and the workers. But most certainly the returns and the profits were delivered to the predatory capitalists.

**Ralph Nader:** Well, there's an end to the story that was really astonishing. The U.S. Justice Department (DOJ) prosecutors got into this because of the manipulation of Medicare billing by Carlyle. As you indicate in your book, the prosecutors were very confident. One of them said that the DOJ would pursue/go after them without hesitation. Tell us what happened with its prosecution.

**Gretchen Morgenson:** It was a tragic debacle, Ralph. I spoke at length with one of the courageous whistleblowers. And as you know, whistleblowers are people who stand up and speak out when they see wrongdoing. A woman named Christine Ribik, a therapist, saw and spoke out about the improper Medicare billing that was going on. The Justice Department took up her case. Several other whistleblowers also reported on Manor Care. Although the Justice Department saw the merit in their accusations and started work researching the case, after spending a tremendous amount of resources to bring this case, it all folded at the end. One expert witness lost her notes. According to Christine, who lived this, the incompetence on the part of the prosecutorial team wrecked the whistleblowers' lives. Their names were out in the public domain because of this case, and they could no longer get work. And Manor Care triumphed, which was a very sad outcome. The company proclaimed victory after its integrity was said to be intact.

**Ralph Nader:** Yeah, the Justice Department didn't even ask for a settlement during negotiation with Carlyle before it dismissed the case. This is after one of the top prosecutors proclaimed that DOJ would not relent in its efforts to stop these false billing schemes and recover funds for federal health care programs. So that's the way Carlyle got away with it, again. Let's talk a little bit more about Carlyle. What can you tell us about other things that they have done to enrich themselves to multibillionaire partner levels?

**Gretchen Morgenson:** Well, they're just one of about five firms big coterie firms. It's interesting that since David Rubenstein retired, he's now a philanthropist. Of course, this is what these wealthy people do; once they've finished their careers and made so much money, they become philanthropists. I think he owns a copy of the Constitution. He obviously is someone who has a belief in the American way and loves America and is investing in it with much of the money that he made as a private equity titan. But the focus that we wanted to bring is on these practices. We've all read about David Rubenstein and Steve Schwarzman, Leon Black and Henry Kravis, who are always lauded for their brilliance and their billionaire status. But who we just don't hear about are the people on the other side of their transactions, the people on the other side of the table—the Katie Watsons, the Christine Ribiks, the 2500 people of Noranda who lost their jobs in Missouri. We don't hear about the people who stand up and say, "What you're doing here is wrong."

And by the way, in the Noranda bankruptcy case, the school system was out money and couldn't afford to buy books for the children, identifying all the people who lose when this very small coterie of elite financiers win.

**Ralph Nader:** I've read a lot of books on corporate crime, Gretchen, and this is the first one that made me sick to my stomach. It was so totally disgusting and parasitical. It would be good to have some of these guys come on the program and expose themselves to the light of some questions they're not used to, because they nearly never get hauled up before Congress, which we'll get to in a moment. But you have an intriguing chapter, which says that some states explicitly prohibit corporations from practicing medicine, obviously because the way corporations practice medicine can destroy the medical profession and its independent judgment and its ethical imperatives. Texas is one of those states standing by while corporations practice medicine. There your chapter titled "Call to Action" went unheeded. They have used their corporate law firms, which I wish you had spent a few pages going into, because these big corporate law firms in New York, Chicago, Boston, Los Angeles, and elsewhere are the devious brains that develop schemes - a system whereby the corporations could take over hospitals and medical practices, and avoid being prosecuted for illegally practicing medicine, by having dummy doctors, also known as company doctors, be in charge in name only of running these medical practices. These nominally in charge doctors run many of the medical practices because no human being could run so many medical institutions.

Tell us about this. And are these laws able to have teeth and obstruct the takeover of all these healthcare institutions by vulture capitalists.

**Gretchen Morgenson:** It's amazing to me that to date there have not been any cases. State AGs (attorneys general) could bring a case against the corporate practice of medicine, but none has. This is another example of people who are just standing by, not doing their jobs, and it's quite disappointing and distressing. But we learned how this works. And this really is quite a brilliant end run around the laws that are on the books barring the corporate practice of medicine.

And it's an end run where, as you explain, they use an on paper only owner. They have a doctor who they pay, and the doctor is ostensibly running the operation. That's what the goal of barring corporate practice of medicine is about. It requires that a doctor be running the operation, not a corporation. So they've been able to persuade doctors to allow the use of their name as the head of an operation. But that's just in name only. And what ends up happening is the corporation, that in the case that involved a medical staffing company—that is now owned by the investment firm KKR; the medical staffing company is called Envision—we found that a doctor had 300 different practices in his name in multiple states that the staffing company used to circumvent the corporate practice of medicine laws. And it was a fascinating case because without the discovery of this lawsuit, which was brought by an emergency physician who was fired by the private equity owned staffing company for standing up and saying, our hospital is not safe for patients. Had we not seen this lawsuit, which he filed as a wrongful dismissal case, we would not know that this is how they do it. But we do know now. And here you have a situation where doctors are paid to be in name only, the head of the operation so that they can circumvent corporate practice of medicine laws.

**Ralph Nader:** Well, one of the things that these companies say, by way of justifying what they're doing, is that these medical staffing companies add value to the companies they acquire. They are "saviors" of troubled businesses. Your description is of the bad actors when ~~re~~ they acquire relatively healthy companies, and just quoting you, "finance the purchases with so much debt that it sickens these companies. To meet the interest payment on the debt, the firms typically gut the acquired company through the sale of assets or businesses, then cut costs by laying off employees and reducing worker costs like healthcare and retirement benefits." Are there any instances where they actually do a good thing by making a good contribution by saving so-called companies?

**Gretchen Morgenson:** Well, there must be, Ralph. Obviously there are many, many of these kinds of firms, and every transaction is not as devastating as some of the ones that we highlight, but enough of them are. Academic research shows that these highly leveraged transactions result in many times more bankruptcies than for companies that are not heavily leveraged. We see in a very distressing nursing home study that found that residents' mortality was 10% higher in private equity owned nursing homes.

It's this kind of longitudinal, very reliable, unbiased academic research that really tells the full story. So, yes, there are always going to be examples of companies, and particularly private equity firms, that don't use the heavy debt. They may very easily take over a company using equity instead of debt and making it better. But when I asked Blackstone for their comments on the thesis that this book presents, which is that these titans are hollowing out the US economy, harming workers, harming pensioners, and harming customers, Blackstone told me that they actually created 200,000 new jobs over the past 15 years. Blackstone argued ~~a~~gainst this notion of destroying jobs, slashing jobs. And I was very intrigued by this, so I asked them to provide me with the data that backs up their claim, and they refused. It was very interesting to me that they're willing to claim that they created 200,000 new jobs over 15 years, but they're not willing to show me the numbers and what's backing them.

**Ralph Nader:** Well, you've had long experience in not getting your calls returned. You are a star reporter, especially on the Sunday business page of the *New York Times* that now is being devoted to photography, like a huge picture of JD Vance. But every Sunday you would have an exposé that would give indigestion to some of these super-rich guys at their breakfast, eating crêpes Suzettes as they'd pick up the paper. So you're used to not getting your calls returned, but you always have a correction part in your exposé that specifies what reforms are needed.

Listeners, we're not going to get into the enormous tax escapes that these multibillionaires get for their strip-mining vulture escapades. Just assume that they get these huge payouts and they found ways to avoid paying taxes or only pay a very small tax rate. But in the last chapter, you ask, "who will stop the bleeding?" And you have a number of players that are beginning to, in your words, "stir from their stupor," like the Federal Trade Commission and the Justice Department. Could you run through for us the rising counterattack against these predatory capitalists?

**Gretchen Morgenson:** Well, we're starting to see, as you note, more interest in the issues surrounding antitrust of these acquisitions. And, as you mentioned, healthcare has been a focus of these plunderers for decades. So now, finally, I believe the FTC, and the DOJ are going to start looking at roll-ups of acquisitions of physician practices. Traditionally, the only deals that really get scrutiny from antitrust regulators are very large deals that involve a combination that will make the potential for anti-competitive activities real for their customers. So these small acquisitions of physician practices didn't make it to the level of size or importance to get on anyone's radar which has allowed these firms to acquire and control a lot of the healthcare industry.

Private equity owned staffing companies now oversee 40% of the nation's emergency departments. So when you have them buying up small physician practices here and there, after a while it becomes a problem. Finally, regulators are starting to look at that. They have made noises. FTC Chairwoman Lina Khan has talked about this as an area of interest that they are definitely going to look at.

**Ralph Nader:** How about the Justice Department?

**Gretchen Morgenson:** Well, the sort of disappointing thing about the Justice Department is that when they bring these cases against the companies that are, engaged in Medicare fraud (like in the Manor Care situation), DOJ doesn't move up the corporate ladder to the company owner. The Justice Department does the work on the particular company that is owned by private equity, but they don't go up the ladder. And that has a way of allowing firms, like Carlyle in the Manor Care case, to escape scrutiny and accountability. So that would be an ideal thing to change.

**Ralph Nader:** Well, I'm sure some of our listeners, Gretchen, are saying why do these pension firms invest in such things? And you talk about a pension firm that hired a lawyer who is suing Carlyle including its top executives. Please describe what seems to be a hopeful opening. And also describe Judge Rakoff's pioneering decision on the liability of the board of directors of these groups.

**Gretchen Morgenson:** All right. Federal Judge Jed Rakoff is in the Southern District of New York, overseeing a bankruptcy case in which there was private equity ownership. His quite sensible ruling really rocked the world of these predatory financiers. What he essentially said was, if you're going to sell a company to another acquirer, to a private equity firm, as a board of directors, you have to have determined that the acquirer, the acquirer's business model, and its financial structure for the ongoing operation of the company, is sustainable. So not too much debt as these typically are. So Judge Rakoff was just basically saying to boards of directors, you have the responsibility of selling the company to an actor who will be sustainable, who will not pile the debt on, who will not hobble the company, and who will not make it impossible for the company to survive. That was a quite alarming ruling for the private equity world. It has not been followed up with any other rulings like it. But it was a harbinger of some sort of a shift in the idea that the only obligation a board of directors has is to get the highest price for the sale of a company for its shareholders. So now all of a sudden they have to worry about the acquirer, what the acquirer is going to do to put in the way of a corporate structure, and whether it will be sustainable. START FINAL READ DOWN

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**Ralph Nader:** You point out there's an emerging left-right alliance in the civic community here, not just progressive citizen groups riding herd, but there's emerging conservative groups that are opposing these rapacious policies by the predatory capitalists.

**Gretchen Morgenson:** Wouldn't you wonder why conservatives who represent working class people, wouldn’t be concerned about this? It makes complete sense that people who represent the lower- and middle-classes who are victimized by some of these practices, would want to stop them. But it's traditionally been held that capitalism is good for everyone, and therefore, they're not going to take it up as an issue to fight. But this form of capitalism is different. And this form of capitalism, we argue, is so pernicious and imbalanced in its winners and losers that it really deserves scrutiny.

**Ralph Nader:** It's been said that these predatory capitalists corrupt everybody they touch, like pension fund managers who have to invest billions of dollars of worker pension funds somewhere to get a higher rate of return than they may get with treasury bonds. And these predatory capitalists even correct members of Congress who are taking money in big amounts from them. Give us the scene. Is that scene getting any worse or better? What's your view on that development?

**Gretchen Morgenson:** Since the pension funds are the oxygen that these firms need to exist, it has been absolutely disturbing in the extreme that public pension funds, the very people who are supposed to serve the workers who are typically hurt most by these activities, continue to provide oxygen to these predator firms in the form of the billions of dollars that they invest with them. I don't see that changing. And it's quite distressing, because now the returns of these private equity titans are not as high as they were. And in fact, they are not any better than a Standard & Poor's 500 Index Fund that costs very little money to invest in. So I don't get it—the idea that these pension funds continue to be dazzled by the salespeople who come through, and dazzled by having a billionaire talk to them about why they should invest with them, because pension funds should absolutely question involvement in this kind of an unsustainable business model, but they don't.

**Ralph Nader:** And that holds true for large university endowments like Harvard, Princeton, Stanford. They're tempted by the same Loreleis (temptresses) of these funds, aren't they?

**Gretchen Morgenson:** Correct. Unfortunately.

**Ralph Nader:** What's your view of the capable mass media , coverage of this? They've done some good work—*Wall Street Journal*, *New York Times*, *Washington Post*. But tell me, if you were their editor, what additional investigations would you pursue?

**Gretchen Morgenson:** Well, every time I would write about a company, I would ask the reporter to find out who owns that company. Traditionally, private equity titans have been able to hide behind the curtain of the ownership of these companies. For example, the terrible stories we've read about the slaughterhouse cleaning company, PSSI (Packers Sanitation Services Inc), hiring children as young as 13 years old to clean slaughterhouses at night in the Midwest. People recoil when reading those stories.

PSSI is owned by Blackstone, and so it is something of an improvement in the news media coverage that Blackstone is named in the stories about PSSI. Historically, these firms have been behind the curtain and hidden from view. But now, at least there's a belief that it's important to talk about who owns these companies. Because who owns them are the people who are really requiring the companies to operate with the profit motive in mind that might leads them to cut corners and make bad decisions. So I am very happy that we have started to see the recognition that the owners of the companies, not just the companies themselves, really need to be tagged in these stories.

**Ralph Nader:** It's pretty remarkable the lackadaisical nature of Congress even taking it to a low standard of evaluation. They really should have very high profile hearings, get these guys up there under oath, have staff that can capably run the hearings in terms of depth and advice to the senators and representatives. And that hasn't happened because not enough people are heeding the lessons you've described in your book that these are not just abstract financiers dealing with derivatives and other mumbo jumbo. They affect your life as taxpayers, consumers, workers, patients, people in communities.

When these guys get this kind of money, they buy three, four or five homes in New England towns and drive up the price of home ownership for everybody. So don't think this is abstract. And the only way I can elaborate what I'm saying to you, listeners, is you have to get and read this book. It's physically easy to read. It's got spaces between the lines and is clearly written. It's called *These Are the Plunderers: How Private Equity Runs—and Wrecks—America* by Gretchen Morgenson, winner of the Pulitzer Prize, and Joshua Rosner, who is the *New York Times* Bestselling author of *Reckless Endangerment*.

And they're trying to convey something in clear terms that is very complex. As a prosecutor in Ohio once conveyed with old fashioned words, "All these complicated deals boil down to lying, cheating and stealing." So let's get some other people in here, Gretchen, before we conclude. Steve, David, and Hannah?

**Steve Skrovan:** Yeah, Ms. Morgenson, I wanted to know why is this such an acute problem now? What in history, in terms of legislation or regulation, led to the primacy of these private equity firms?

**Gretchen Morgenson:** In the early '80s was when this practice really began. Back then, it was a different scenario. You remember then we had very high inflation, the stock market was way down. And so, these financiers were able to spot companies that were undervalued and beaten down in the stock market. And then they could ride the improvement. Well now, we are in a circumstance where that is not the case. Now they're looking for and buying up companies that are already probably lean, probably valued properly. And yet, they need to generate these high returns. And what that means is that they're perhaps even having a greater pernicious impact because there isn't an easy profit to be made here. So when they come in and start to fire workers or dismantle pensions or reduce health care benefits, it's from probably an already pretty lean level, efficient level. After about 30 years of this practice, we feel we are now getting to the point where this really needs to be understood because it's now starting to hollow out people, companies, and places, whereas before it wasn't having quite that impact.

**Ralph Nader:** A lot of the deregulation came under Bill Clinton's presidency, and Bob Rubin, his Treasury Secretary, repealing the effective Glass-Steagall Act of Franklin Delano Roosevelt that created stability in the banking system. And then Rubin resigned early before Clinton left office and became a high official at Citigroup and made tens of millions of dollars in just a few months. I noticed that in the chapter there were are also a lot of tax breaks under the Clinton administration that these vulture capitalists are taking advantage of. David?

**David Feldman:** Well, Larry Summers was working in the Clinton administration when he wasn't president of Harvard. And Elizabeth Warren always makes fun of how the Harvard endowment underperformed in the market when Larry Summers was president of Harvard. So I want to ask you about this revolving door. Pension fund managers or people who run Harvard's endowment turned money that is basically sacred over to private equity. And you said that they don't get as good a return as an index fund does. Is there a revolving door where pension fund managers or people working Harvard's endowment, later go to work for the same private equity firms that they had given the endowment to? Can we track the revolving door?

**Gretchen Morgenson:** We haven't seen that revolving door as much as we've seen the revolving door of regulators going to work for some of these firms. For instance, Jay Clayton, who ran the U.S. Securities and Exchange Commission, went to work as a board member for Apollo. We don't really see the pension folks joining these firms in quite the same way or rate as the higher-level regulators, which is the traditional revolving door that Ralph knows well and that we see in Washington.

**Ralph Nader:** To your question, a lot of Justice Department prosecutors leave, go to corporate law firms and spearhead maneuvers for these private equity firms to escape regulation, cut deferred prosecution deals, lobby on Capitol Hill for preserving the carried interest tax loophole, and all sorts of things. That's where it really is. It's not just the regulatory agencies. It's the very knowledgeable Justice Department lawyers who then sell out for double or triple their salary or more to corporate law firms.

**David Feldman:** The headline that is so overwhelming is these hedge funds do not outperform the market. So like everything in corporate America, nobody benefits except the people at the top taking the skim. It's unbelievable.

**Gretchen Morgenson:** And the fact that these people are multi billionaires is appalling.

**Ralph Nader:** Hannah?

**Hannah Feldman:** I'm curious if we're looking for ways to hold all of these people accountable. This sounds like a very elaborate conspiracy. One might call it racketeering. I'm curious if there's potential to go after these systems under RICO?

**Gretchen Morgenson:** Well, Ralph would know that better than I since I am not a lawyer. But it seems to me that if you have several cases of Medicare fraud occurring under the same roof, and that roof is owned by a private equity firm, then, I don't see why you wouldn't think about bringing a RICO case.

**Ralph Nader:** You're correct. Well, is there anything else you want to tell our listeners? They tend to lean toward trying to do something. We always urge them to contact their senators and representatives. What would be the message to get the ball rolling, say, on Capitol Hill?

**Gretchen Morgenson:** Well, I guess that's the message. There was legislation put forward both in the House and the Senate called The Stop Wall Street Looting Act, which would end some of these practices. For instance, it would bar private equity firms from being able to put debt on a company so that they can take money out for themselves so what Apollo did with Noranda, for example, couldn't be done.

If people want to reach out, they could ask their legislators to please support that proposed legislation to become law, because that is the best we've got so far in how to deal with some of these unjust practices. And tell them you are disturbed by this winner-take-all mentality and how these people have amassed unspeakable fortunes on the backs of everyone else.

**Ralph Nader:** This is the Stop Wall Street Looting Act. And who are the main sponsors in the House and Senate of the Stop Wall Street Looting Act?

**Gretchen Morgenson:** Senators Elizabeth Warren, Tammy Baldwin and Sherrod Brown along with Representatives Mark Pocan and Pramila Jayapal

**Ralph Nader:** Yeah, listeners, you can write in and ask Elizabeth Warren what she thinks you could do since she has been on the front lines challenging Wall Street over the years. I'm sure they have a whole list of things that you could be doing.

Well, thank you, Gretchen Morgenson. We're very pleased to have had a chance to discuss your book, *These Are the Plunderers*. We're looking forward to this book popping up on Capitol Hill and pumping up the need for old fashioned investigative congressional hearings. That's the way the ball gets rolled toward any kind of corrective practice in our history. That's what gets publicity. That's what gets sworn testimony. And so, listeners contact your members when they come back from the Memorial Day recess, the July 4th recess, the full August recess, and they're walking around your communities, give them an earful. Thank you, Gretchen.

**Gretchen Morgenson:** Thank you, Ralph. My pleasure.

**Steve Skrovan:** We've been speaking with Gretchen Morgenson. We will link to her book, *These Are the Plunderers*, at ralphnaderradiohour.com. Before we take our leave, let's check in with our corporate crime reporter, Russell Mokhiber.

**Russell Mokhiber:** From the National Press Building in Washington, D.C., this is your *Corporate Crime Reporter* "Morning Minute" for Friday, May 26, 2023. I'm Russell Mokhiber.

The number of people with highly drug-resistant bacterial infections linked to contaminated eyedrops has reached 81, according to a report from NBC News. The 81 cases, up from 68 identified in March, include 14 people who have been blinded and four others who have had their eyeballs surgically removed. Though most infections have been limited to the eyes, the bacteria can be fatal when it enters the bloodstream. As of this week, the U.S. Centers of Disease Control (CDC) said, four people have died.

"These were catastrophic and life-altering infections," said the CDC's Maroya Spalding Walters. Though many patients said they'd used multiple brands of eyedrops, EzriCare Artificial Tears was found to be a common brand among those infected. Opened bottles of the EzriCare drops were also found to harbor the same bacteria found in samples taken from patients.

For the *Corporate Crime Reporter*, I'm Russell Mokhiber.

**Steve Skrovan:** Thank you, Russell. Welcome back to the *Ralph Nader Radio Hour*. I'm Steve Skrovan, along with David Feldman and Ralph. And that's our show. I want to thank our guest again, Gretchen Morgenson. For those of you listening on the radio, we're going to cut out right now. For you podcast listeners, stay tuned for some bonus material we call "The Wrap Up," including Francesco DeSantis, and "In Case You Haven't Heard." A transcript of this program will also appear on the *Ralph Nader Radio Hour* Substack site soon after the episode is posted.

**David Feldman:** The producers of the *Ralph Nader Radio Hour* are Jimmy Lee Wirt and Matthew Marran. Our executive producer is Alan Minsky.

**Steve Skrovan:** Our theme music "Stand Up, Rise Up" was written and performed by Kemp Harris. Our proofreader is Elisabeth Solomon. Our associate producer is Hannah Feldman. Our social media manager is Steven Wendt.

**David Feldman:** Join us next week on the *Ralph Nader Radio Hour*. Thank you, Ralph.

**Ralph Nader:** Thank you, everybody.