

PLUTOPOMPS

"Plutopomps" are people who are entrusted to guide wealth, as the classical psychopomp ferries the dead from the shores of the living into Hell. The analogy holds as those still on the ever so gay shores of life still have money and those in the boat, by definition don't. The plutopomp is at the helm of the market, offering pleasant tours of jewels, thrones (rolling leather chairs) and gold. Step into my boat and I will show you splendor. But that's the job of the plutopomp. He lives in an almost entirely psychological landscape, illuminated only by candelabra that draw dim light from the melted wax of the past and the thin wicks of the present.

There was a time before the plutopomp when business was created by ideas and the capitalist investors drew profit from success and ruin from failure. Corporate investors were provided with a share of the actual profit, the creation of which was entrusted to their executives. That a corporation would produce profit had mostly to do with the validity of their products and the valiance of their sales force. Successful people were rewarded, unsuccessful people were fired; investors made money when the company made money and did not receive dividends when the company lost. If the company lost money, the leadership could be changed while the owners continued. As a special benefit, if the company did well, the share price would rise (or fall in the opposite event). The plutopomp's job was simple: ferry people who didn't know how to invest to the other side.

There are still vestiges of this reality today, but the most substantial structures of industrialism were already in place in the 19th century. I remember during the seventies and eighties when it was being bruited that CEOs compensation should be related to share price. This was because companies were already welching on dividend value. In effect, corporations decided to keep their profits and cover their losses with traditional capital-raising techniques. Offering more stock via splits would lower the share price to attract new investors while diluting financial responsibility at the managerial level. The brilliant consultant evangelists of this reality rose into great chorus about pegging CEO compensation to share price. The way they paid for this was by letting the CEO keep the profits while passing all the share price risk onto investors. The investors are of course quite dull, so they didn't notice when the CEOs were keeping the losses by simply multiplying by a negative one (-1). This was able to work because the board members are also rewarded for risk agnostically.

So now we have a situation where only minimal dividends are paid by a few companies, and the prospect of investor gain hinge entirely on share price. The CEO and the Board are immune to these fluctuations so they are free to work on other schemes. The share price is only minally dependent on performance and maximally dependent on the current and daily market environment. This is evident in that very good and major companies can lose or gain 10 in or more percent in a day entirely coming from the underworld gas of the plutopomps now increasingly seen as plutopumps for naked shorts. The plutopumps are: banks, governments and rating agencies and of course the round table of hedge fund managers. These

organizations are not driving industry at the productive individual level, but at the world-wide macro level based on crisis and relief from crisis. The "pundits" bull or bear have forecasting success with boom or bust coming at unpredictable dates. Since ripeness is all, there's a 50/50 chance the harvest will be rotten. Ordinarily, this would be called a null prediction. Those who do make a reputation for themselves only do so at a limited number of bends in the river of Hell.

Are there remedies?

- 1) All equities should issue reasonable dividends if there are positive earnings.
- 2) CEO compensation should be some (small) percentage of the total dividends paid to investors.
- 3) Kill naked shorting
- 4) Prosecute corporate officers responsible for corporate crime
- 5) Make M&A illegal

This last point is important in the current environment because CEOs often walk away from mergers with huge golden parachutes as well as bonuses from the acquirant (usually excised from pension holdings of the acquired company) and because takeovers incentivize the CEO of the target to act in a way so as to drive the share price down to a cheap enough level for acquisition to occur. They also foster book cooking.

The pomp of the market comes from the news rather than from investor benefit. Can we imagine the common man, who does most of the work, investing fruitfully in capitalism without swindle? He can't. He just climbs into the lugubrious gondola without thinking and disappears to the other side. If this were not true we would require more headcount for plutopomps, faster engines and more lighting.