

Name: Alert ID: TMML202403994380 Who Is Ivan Boesky? Ivan Boesky, a renowned American arbitrageur, came to epitomize the "greed is good" mantra during the 1980s era of financial excess. A major player in the hostile takeover and junk bond craze, and financial superstar, he became an inspiration for Gordon Gekko in Oliver Stone's 1987 movie, "Wall Street"—before going to prison for his role in a 1986 insider trading scandal. Key Takeaways Ivan Boesky is a former investment banker who was convicted of insider trading in 1986 and fined a record \$100 million. Boesky made his money in the 1980s through investing in the stocks of companies that were primed for takeover. He embodied the 1980s junk bond boom, in which leveraged buyouts of companies were financed by junk debt, and a life of excess and greed were the norm. As part of his conviction, he served over three years in jail and informed on a number of his former colleagues and associates. His conviction and that of his colleagues led to the passage of the Insider Trading Act of 1988, which increased the fines for securities violations. Understanding Ivan Boesky Ivan Boesky, the son of a Detroit strip club owner, rose to power and fame as the world's leading takeover arbitrageur and made a fortune investing in stocks of companies that were takeover targets. A public figure and author of "Merger Mania: Arbitrage, Wall Street's Best Kept Money-Making Secret," he was unapologetic about the pursuit of money. In 1986, in a graduation speech at the Berkeley School of Business, Boesky said; "Greed is all right, by the way, greed is healthy...You can be greedy and still feel good about yourself." It was a line that would be immortalized by Gordon Gekko. It was also a message that chimed with the neoliberal economic policies Ronald Reagan and Margaret Thatcher had embarked upon. Corporate takeovers and downsizing were just the tickets for restructuring ossifying and highly unionized old industries. Boesky was, for a time, feted by the financial media, and his gospel of greed was much in demand on the speaking circuit. However, the Boeskys were nouveau riche parvenus, known for their conspicuous consumption, but not necessarily their good taste. In 1987, Boesky suffered a spectacular and abrupt fall from grace when the U.S. Securities and Exchange Commission announced he had been using confidential inside information on upcoming deals—channeled through one of his underlings, investment banker Denis Levine—and was charged with illegal stock manipulation. These takeover targets included Nabisco Brands Inc., General Foods Corp., and Union Carbide Corp. Boesky Brings Down the Curtain on the 1980s Junk Bond Boom It was the end of an era of roaring corporate takeover activity and leveraged buyouts funded by junk debt. If all the raiders and junk bond traders were engaged in illegal activity, who would buy all these companies at their inflated prices? As part of a plea bargain deal—in which he received a prison sentence of over three years and a \$100 million fine—Boesky ratted on his tipster friends, including junk bond king Michael Milken. Boesky's testimony would bring Milken and his junk bond firm Drexel Burnham Lambert to justice. Drexel had fueled the leveraged buyout boom through junk bonds and was famous for its predators' ball, an investment gala for corporate raiders, and financiers. Milken would pay over a billion dollars in fines and restitution and served two years in jail. The following year, Congress increased the penalties for securities violations when it passed the Insider Trading Act of 1988. Boesky never recovered his reputation and was permanently barred from working in the securities industry.