

BIG BIZ REAPS WHAT IT SOWS

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Body

Investors have the jitters. Already vulnerable markets feel the earth shaking beneath their collective feet. Calls for corporate change are issuing from financial stalwarts like Goldman Sachs and the New York Stock Exchange. The message: Business has to clean up its act. And fast.

The shadow of the Enron scandal still looms large, and other corporate calamities - Global Crossings, Tyco, etc. - have prompted investors to quit the market or sit things out. Stocks are tanking. At this rate, economic recovery will be a long time coming. The nation can't afford the wait.

Last week, Goldman Chairman Henry Paulson Jr., used the forum of the National Press Club to urge significant changes in how public companies are audited, run and regulated. Among his points: Accounting practices must be simplified so the public has a more accurate company snapshot. Corporate insiders should be required to hold onto their stock for a significant period and return stock gains made less than a year before their companies file for bankruptcy. Conflicts of interest, or the appearance thereof, should be avoided.

"The business community has been given a black eye by . . . insiders who sold large numbers of shares just before dramatic declines in their companies' share prices," Paulson said. It's notable - and admirable - that he took aim at the execs who are the very lifeblood of investment businesses like his own.

Also notable was the NYSE's contribution to the reform chorus. A high-powered committee convened in February at the behest of the Securities and Exchange Commission has now offered its recommendations for change. Its focus is governance, particularly on increasing the number of independent directors on corporate boards. The NYSE also wants the authority to publicly reprimand rule-breaking companies.

Now that Paulson and the NYSE have taken the lead, other corporate movers and shakers might develop the intestinal fortitude to follow suit, to embrace reforms and to set a new standard - a more transparent, more ethical standard - for doing business in the U.S. These changes would dovetail with state Attorney General Eliot Spitzer's settlement of conflict-of-interest charges against Merrill Lynch, which will set a new standard for investment banks serving the sometimes opposing interests of investors and corporations.

Big business' reputation has hit a nationwide low. Wall Street's self-repair mode is the only way to remove the tarnish, begin to restore investor confidence and help revive the national economy.

Keeping tabs

After 9/11, Washington woke up to the fact that this nation is bursting at the borders with foreign "visitors" who have overstayed their visas. In an attempt to curtail the violations, and keep track of the estimated 35 million people who legally enter the U.S. every year, it has mandated a stricter regulatory process - one phase of which was announced this week by Attorney General John Ashcroft to target those who fit the profile of potential terrorists. Better late than . . .

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Persons deemed to be of "national security concern" would be photographed and fingerprinted upon arrival. More information would be demanded about their plans and U.S. contacts. If allowed in, they'd be required to register with the Immigration and Naturalization Service within a month and annually after that. It's a start.

It is also appropriate that the new rules, affecting about 100,000 individuals in the first year, would largely be applied to men between the ages of 18 to 35 who hail from some 20 Muslim and/or Mid East nations. That includes almost all visitors from terror-sponsoring states like Iran, Iraq, Libya, Sudan and Syria. Good. It also includes travelers from Egypt, Saudi Arabia and elsewhere. Also good. After all, 15 of the 19 madmen who attacked America were Saudis.

This has the knee-jerkers roaring about racial/ethnic profiling. "What next?" demanded an official of the Council on American-Islamic Relations. "Forcing American Muslims to wear a star and crescent as a means of identification . . . ?" Nice way to improve American-Islamic relations, sir. Equating the U.S. with Nazi vermin.

Despite such senseless attacks, the government is right to proceed with this reform. And to expand it as soon as feasible. The only drawback is that the witless INS is in charge. This is the same agency that sent visa renewals to two dead 9/11 hijackers. The new Department of Homeland Security will have to revamp this inept operation. And ensure that the stricter rules are strictly applied.

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