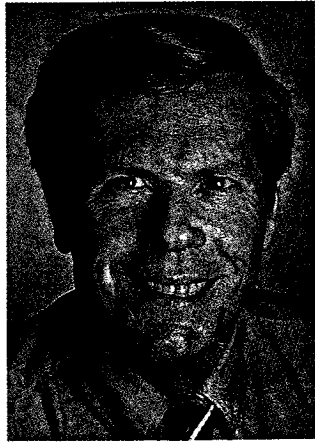


MIKE MILKEN FOR TREASURY SECRETARY

BY PAUL CRAIG ROBERTS



Junk bonds gave many of America's hottest companies the money they needed to grow. In return for his contribution, Milken was vilified and jailed. He deserves more than an apology.

At the beginning of this year, *The Wall Street Journal* reported that the "junk-bond market had another record year in 1993." The story went on to say that "last year's \$68 billion-plus total is nearly twice 1992's record issuance—and equal to the total raised from 1982 through 1986," the years spanning the apex of Michael R. Milken's career.

I have been waiting patiently for the cries of alarm, but, alas, no James B. (*Den of Thieves*) Stewart has risen to decry the growth of "the greatest criminal conspiracy the financial world has ever known." No Benjamin (*License to Steal*) Stein has appeared to explain the durability of this "Ponzi scheme." No Connie (*The Predators' Ball*) Bruck is scorning junk-bond financiers as the "Cosa Nostra of the securities world." Treasury Secretaries are not speaking of "junk bondage."

As P.T. Barnum said, a sucker is born every minute. In the late 1980s, the whole country was suckered by a shrill and largely uninformed campaign against junk bonds and their progenitor, Michael Milken. But that song won't play again. The Salomon Brothers Inc. high-yield index has increased by 63% since 1990, and junk-bond underwriters, such as Merrill Lynch, Morgan Stanley, Salomon, and Goldman Sachs, earned \$1.18 billion in fees last year from their junk-bond operations. The *Journal* noted on July 25 that even staid "Chase Manhattan Bank is trying to muscle into the junk-bond market."

This is a lot of financial prestige to be perpetuating a Ponzi scheme. Indeed, there are now more than 70 mutual funds offering junk bonds, backed by such respected names as Merrill Lynch, Value Line, Fidelity Investments, T. Rowe Price, Morgan Stanley, Paine-Webber, Prudential Securities, and Dean Witter Reynolds.

BIG OBSTACLE. How soon we forget. In 1991, when Milken was frog-marched off to jail, junk bonds were almost universally seen as Satan's tools for grinding the little people under by overloading their employers with unserviceable debt. Job losses that were part of the necessary restructuring to make our companies competitive were blamed on Milken's greed—although it was investment-grade companies that were shedding employees, while the junk-financed companies were growing rapidly.

Milken's companies are known for their successes, not their failures. Among the many that Milken's junk bonds helped to launch into the big time are MCI, McCaw Cellular, TCI, Viacom, Turner Broadcasting, Time Warner, Stone Container, and Medco.

MCI Communications Corp. founder William G. McGowan said his biggest obstacle in launching MCI was the unavailability of capital. McGowan wrote: "The heart of the problem was that banks and institutional investors did not know how to finance growth companies." But Milken did, and MCI went from a struggling company worth several hundred million dollars to a \$16.8 billion giant employing 36,000.

QUALITY JUNK. McCaw Cellular Communications Inc. was another whose potential Milken recognized—a judgment recently vetted by AT&T when it purchased this Milken junk company for \$12.6 billion. Tele-Communications Inc., now worth over \$10 billion, and Viacom Inc., worth \$5.6 billion, are other Milken junk companies.

When people want to see the news as it happens, they turn to Turner Broadcasting System Inc.'s CNN. Milken raised \$1.4 billion for the company, taking it from a \$373 million outfit to a multibillion-dollar giant contemplating buying out CBS Inc. Should you send an overnight letter via Federal Express or order a Domino's pizza, you will use a package envisioned and manufactured by Stone Container Corp.

Barnes & Noble, the world's largest bookseller; Hasbro, the nation's biggest toymaker; Safeway Stores, the huge grocery chain; Jeep-Eagle and its parent, Chrysler—all received critical financing from the junk-bond king. Medco Containment Services Inc., the pharmaceutical company that distributes mail-order drug prescriptions for 1,000 benefit plans covering 33 million people, was worth \$35 million when Milken began raising capital for it. In November, 1993, Merck & Co. paid \$6.2 billion for the company.

The campaign against Milken culminated in Rudolph W. Giuliani's 98-count indictment, a media event that he dared not take to trial. Milken was bludgeoned with the Racketeer-Influenced & Corrupt Organizations Act and prosecutorial threats against members of his family into coming up with six counts against himself, which he entered as a plea. He was then double-crossed and given an unprecedented jail term for offenses more trivial than the Social Security tax fraud committed by his sentencing judge, Kimba M. Wood, which scuppered her as Clinton's Attorney General.

President Clinton should give Milken a full pardon, a public apology for his frame-up by U.S. attorneys, grant full restitution for the extorted fines, and appoint him Treasury Secretary. Milken would bring to the Treasury not only the missing financial skills but also the missing veracity. His presence would elevate the moral tone of the entire Administration.

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