

Contents

<i>Preface</i>	<i>xi</i>
<i>Acknowledgments</i>	<i>xxi</i>

PART I

Doing Fraud and Its Consequences

1	An Error and Its Chain Reaction	3
	March 21, 1986—Boesky and Mooradian's Errors	3
	Milken's Error	4
	The Annual Predator's Balls	5
	September 17, 1986—Boesky's Surrender	7
	The Paradox	7
	December 1988—Drexel Pleads Guilty	8
	A Collapsing House of Cards	9
	March 1990—The Government's Offer to Milken	10
	Appendix	10
2	Fraud Networks of Drexel	13
	Ordinary Networks	15
	Extraordinary Networks	18
	The Roles of the Boesky Organization	20
	The Roles of Private Partnerships	29
	Bond Buyers and the Extraordinary Network	38
	Disclosure of the Milken/Boesky Connection	42
	Events Leading to Bankruptcy	42
	Conclusions	44

3	Consequences of Fraud-Facilitated Leveraged Buyouts	49
	Consequences	49
	Consequences for Targets	53
	Consequences for the Acquiring Firm	55
	Consequences for Investment Bankers	58
	Consequences for the Junk Bond Department Employees	59
	Consequences for Savings and Loans	60
	Consequences for Pension Funds	63
	Linking Pension Funds to Insurance Companies	67
	Consequences for Insurance Companies	67
	Consequences for Milken	71
	Consequences for National Employment	72
	Consequences for the National Economy	73
	Conclusions	74

PART II

Toward Understanding Fraud

4	Structural Contradictions and the Failure of Corporate Control	77
	History of Drexel Burnham Lambert, Inc.	80
	Socialization of the Junk Bond King	83
	Structural Contradictions and the Failure of Corporate Control	85
	Contradictions of Corporate Control and Departmental Autonomy	87
	Departmental Autonomy through Differentiation	88
	Control of the Bond Department: Rationality and Opportunism	91
	Contradictions of Authority and Control	99
	The Contradiction of Authority and Economic Incentive Systems	102
	Conclusions	112

5	The Nature of Securities Transactions and Market Control	117
	Characteristics of Transactions at Drexel	117
	System Interface Problems	123
	Corporations as Mechanisms of Market Control	126
	Conclusions	134

PART III

Toward Understanding Fraud as Structurally Embedded

6	Economic Context	139
	1980s Transformation of Corporate Control	142
	Mergers and Acquisitions as the Avenue to Growth and Productivity	145
	Leveraged Buyouts and Leveraged Takeovers	147
	The Role of Drexel in the Creation of the Bond Market—A Near Monopoly	157
	The Transformation of the Capital Structure and the Production of Corporate Debt	166
	Competition-Fueled Takeover Movement	167
	Capital Supply and the Control of Capital Markets	168
	Conclusions: Toward New Theories of Economic Organizations	171
	Conclusions: A Structural Model	177
7	Political-Legal Context	181
	Laws	185
	Political Action Committees and Lobbies	195
	RICO Act	198
	Structural/Network Analysis	215
	Conclusions of Network Analysis	219
	Appendix	222

PART IV***Toward Theory***

8	Toward Theories of Economic Organizations and Organizational Crime	229
	Markets, Organizations, and Fraud	233
	Findings	234
	Informing Perspectives	236
	The Argument in Support of Structural Embeddedness as an Alternative to Neoclassical Economic Models of Organizations	246
	Who Controls?	251
	Central Actors	267
	Glossary	273
	References	279
	Index	298