Unfolding Scandal: Spitzer versus Schwarzman

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The news this week is deeply ironic: the main building of the New York Public Library at Fifth Avenue and 42nd Street will be engraved with the name of Stephen A. Schwarzman, while the periodicals inside may sadly chronicle Eliot Spitzer, the governor of New York state, as Client Number 9 of a prostitution ring. Both men made their name on Wall Street: Schwarzman rose from his first job in investment banking at Lehman Brothers to run the Blackstone Group, a private equity firm, that has allowed him to stash away an estimated $4 billion today, while Spitzer got corporations from Samsung to investment bankers like Lehman Brothers to return almost the same amount to the public trust.

The Wall Street financier is now giving $100 million to support a worthy cause that taxpayers cannot afford: a new library to lend books, wireless Internet access and new rooms for children and teenagers, to attract as many as three million new users, most of whom are expected to be from low-income minority groups. It will be financed by the profits that Schwarzman made at Blackstone by exploiting tax loopholes to cut his tax rate from 35 percent to 15 percent, costing the U.S. taxpayer tens of millions of dollars.Doubtless one of the books that will be available at the new library will be the play Julius Ceasar, where Mark Anthony is quoted as saying: “The evil that men do lives after them; the good is oft interred with their bones.” Yet Schwarzman, like many wealthy people before him, will be able to escape the curse of history, by buying fame at a public auction.

Spitzer may not escape the curse. The name “Mr. Clean” may never be applied to him again. But for those of us that track corporate fraud, who can forget his shining moments?

For example, in 2002 when ten Wall Street banks from Bear Sterns to UBS Warburg were forced to pay $1.4 billion to settle charges of “spinning” stock prices to make millions for wealthy investors? Or in 2003, when his office uncovered how mutual fund brokers allowed select clients privileges deprived to ordinary customers? Another billion dollars was paid back to the small investor. How about the $50 million in royalties that his office discovered that record companies hid from musicians in a 2004 investigation? And let’s not forget the $730 million in fines paid out in 2006 when his office discovered price-fixing among computer chip manufacturers.

When Spitzer offered his apologies for his private folly, he asked that the media remember that politics should not be about individuals but about ideas and the public good. That surely is also the role of libraries — ideas and the public good — not about celebrating the titans of greed and excess. Perhaps if Wall Street were to pay its fair share of tax dollars to spend on libraries, then there would be no need to name the Central Library after one of the men who robbed the public purse.

Will children who pass through those two stone lions to enter the library notice that their names are Patience and Fortitude? Or will they hope that one day they become as rich and famous as the man after whom the building is named?

I hope that when they look through the shelves of the New York public library, they will find books and magazines that remind generations of New Yorkers to come of Eliot Spitzer's true legacy: of an honest man — human and fallible no doubt — who spoke truth to power.

(And for those on Wall Street who are crowing about Spitzer's misfortune, shame on you; your turn may be next to lose your job in the reckoning over the real scandal on Wall Street: the sub-prime mortgage crisis that threatens to leave many a poor family without a home of their own.)

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