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STACKING THE DECK: CONGRESS MUST MOVE CAREFULLY TO RESTORE INVESTORS' RIGHTS

You'd think that with all the shenanigans on Wall Street and in the housing industry, investors would have an easy time recovering their lost money by suing the companies responsible.

Instead, folks who got suckered by unscrupulous securities firms, banks and mortgage agencies have the deck stacked against them in court. That's because Congress stripped away many of investors' legal rights and protections back in 1995 with passage of the Private Securities Litigation Reform Act.

Now, efforts to overhaul the regulatory system to prevent another economic collapse have revived calls to repeal this misguided law.

The law certainly needs retooling. Congress, however, would be wise to tread carefully.

A wholesale repeal at this time would open the floodgates to lawsuits seeking hundreds of billions of dollars in damages. That could plunge the companies into insolvency, neutralize the effects of the exorbitant taxpayer-financed bailouts and send the economy into a tailspin once again.

Consumers need protection, and investors deserve to get their money back. Many lost their life savings at the hands of greedy money managers.

But if the price of justice is continued economic meltdown, then Congress needs to pursue another, more measured course.

On the other hand, some say, the nation's current financial mess might have been avoided if the law were not so slanted in favor of recalcitrant companies. The threat of successful lawsuits with huge awards would have kept them in line.

The stated purpose of the 1995 law was to prevent frivolous lawsuits. It succeeded at that, but it wound up blocking meritorious suits, too.

It radically shifted the burden of proof onto plaintiffs, requiring that they show direct evidence of fraud before being allowed to review internal company documents or subpoena company executives.

It provided "safe harbor" for company financial statements, even if those statements later were proven to be put together with reckless disregard for the truth.

And it severely restricted companies' liability by requiring guilty parties to pay only the portion of the damages attributed to them in court.

The looming battle over changing the law is expected to pit trial lawyer groups and consumer organizations against Wall Street firms, major banks, accounting firms and corporate CEOs, with lawmakers gladly pocketing campaign cash from each side.

While no legislation has been introduced yet, several members of the Senate and House committees dealing with financial issues are said to be looking at the need to restore lost investor rights as part of the reconstruction of the regulatory system.

Congress must act, but it must act cautiously, lest it create even deeper economic chaos.