

# BARRON'S Online

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## UP AND DOWN WALL STREET

By ALAN ABELSON

### The New Buzz

**"NEVER WRITE A LETTER AND NEVER DESTROY ONE."** That eternally sage counsel came from the famed Cardinal Richelieu, who served as Louis XIII's brain (it was a rare Louis, whatever his number, that had one of his own). Were the wily prelate alive today we've not a scintilla of doubt he would have amended his exhortation to replace "letter" by "e-mail." But, of course, the advice, if anything, is even more pungent now than it was then.

As Harry Stonecipher can ruefully attest. For Mr. Stonecipher -- who, it turns out, however harried is neither stone nor a cipher -- got the boot last week from Boeing as the company's CEO. Some 15 months ago, the 68-year-old Mr. Stonecipher had been summoned from retirement to rescue Boeing from a sea of troubles, which he briskly succeeded in doing. That's not our reckoning, but the bloodless verdict of the market: Boeing's stock has shot up more than 50% since Mr. Stonecipher settled into the pilot's seat.

While manfully pursuing his remedial agenda that returned the company to its proper course, he entertained an autumnal passion for another Boeing employee, who evidently responded in kind. Mr. Stonecipher is married; the object of his affections, who has toiled for the company for 25 years, or the better part of her adult life, is divorced. Their fatal indiscretion was not, as you might suppose at first blush, engaging in a socially unsanctified affair, but, rather, the unpardonable sin of using the corporate e-mail to convey their sweet nothings.


Ignoring Cardinal Richelieu's admonition was only the most grievous of Mr. Stonecipher's lapses. He also somehow chose to disregard the lugubrious truth that we live in a snitch society: a note from an anonymous tattletale did him in.

The Boeing brass seemed a tad shy about pinpointing what exactly Mr. Stonecipher's trespass consisted of, although it hastened to assure the world that affairs between consenting adults who happen to work for the company, even adulterous affairs, were not cause for dismissal. The brass's hesitancy in spelling out the precise nature of the infraction conceivably reflected not so much delicacy as uncertainty, since the official explanation finally provided -- an action that might cause the company embarrassment -- struck our disinterested ear as exceptionally lame.

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Boeing, after all, has witnessed a lot worse goings-on in its corporate hangar than a little smooching. Like hiring a Pentagon procurement officer who had steered billions in military contracts to the company. Or stealing trade secrets from a competitor. That's the kind of seriously ugly stuff that got Boeing in hot water and prompted Mr. Stonecipher's return to active duty. Somehow we don't think heavy breathing on the company's e-mail rises to that level of scandal.

Beyond the discomfort visited on Boeing's board, which will have to rearrange lunching and golfing schedules so as to take up the hunt for a new leader, and the personal distress inflicted on Mr. Stonecipher, the widespread tut-tutting and snickering that the sorry business has inspired already have had collateral repercussions. Delta Airlines, for example, anxious to show its own impeccable concern for morality will no longer supply pillows on its flights.

The irony that Mr. Stonecipher violated the very code of conduct he himself laid down was so obvious as to find its way into the renderings of the story in print and on the tube. But however obvious, the ironic twist should send a powerful message to other chief executives: If you're going to draw up an ethical code for your company, for heaven's sake, make sure it states in black and white that it applies to everyone, except you.

Even before the revelations at Boeing, ethics have been creating quite a buzz among the captains of commerce and industry. The luridly publicized trials and tribulations, but especially the trials, of so many of their peers have greatly raised their ethical awareness and spurred their eagerness to formally pay homage to ethics by producing their own versions, graced by the corporate logo, of the Ten Commandments.

Such an ennobling trend is manifestly deserving of applause. Although frankly, you have to wonder how grown men and women have managed to reach the pinnacle of commercial achievement seemingly without knowing right from wrong (only an incorrigible cynic would suggest that's precisely why so many did reach that pinnacle). But even the most praiseworthy impulse can be taken to extremes.

And there are hints of just such a regrettable turn in the gathering rush to ethics. According to The Wall Street Journal, there's a move afoot to draw up a code of ethics for...Wall Street. Honest. And it would include investment bankers!

We've long feared that Mr. Spitzer's unholy crusade would prove the end of Wall Street as we knew it. And this unexpected piece of news all but convinced us that the end is nigh. However, familiarity of a sorts with a few of the worthies identified in the article as sponsors of the move reassures us that, even on the remote chance that an ethics code were ever adopted, it would merely constitute a seal of approval for the securities industry to keep doing business at the same old stand.

**A FUNNY THING HAPPENED TO THE STOCK MARKET** last week on its way to 11,000, as measured by the sainted Dow Jones Industrial Average: The blamed thing plump ran out of steam. It wasn't -- or hasn't yet been -- a particularly alarming retreat. But it was pretty darn discouraging.

Especially after the market wound up the previous week with a real flourish, posting a three-digit gain on Friday (107 points, in case you were out of touch). Just taking a breather before resuming its upward dash? Or something a little more ominous?

The answer is, we suspect, a touch of the former, but more of the latter. Even markets on a tear tend to step back before catching their second wind. But the advance ran into other snags, some more formidable. We count five, and they were, in no particular of importance:

A less exuberant take on the February employment report that triggered the big rally; worries that foreign holders might be getting a mite tired of losing billions and billions of dollars on their huge hoards of greenbacks and start bailing out in earnest; escalating bond yields (bonds can be, someone told us, a powerful rival to stocks if the returns get big enough); the unhappy remembrances stirred by the mess of stories marking last week's fifth anniversary of the beginning of the end for the great bull market, and, not least, the fresh spurt in oil prices.

There's not really much to say about March 2000 except to offer up a fervent prayer that it doesn't happen again anytime soon. Nor, for that matter about oil, except "wow!" or "ugh!," depending on whether you're short or long. And, of course, bonds are sensitive creatures and even a whiff of inflation can put them on their backs.

No question last month's jobs report proved a welcome change from the lackluster several that preceded it, something that gave investors good cause to celebrate. Payrolls expanded by an unshabby 262,000, and that perennial worry, manufacturing hiring, got back in gear, adding all the 20,000 slots lost the previous month. Temporary hires rose and that's encouraging, at least to people who think temps are a harbinger for the job trend overall. Encouraging, too, is that the pool of possible workers expanded, presumably because more folks who need a job think it's no longer a waste of time to look for one.

But on further inspection, which the weekend following release of the data afforded the time and tranquility to indulge in, the report was less exhilarating than first impression or the market's immediate reaction suggests. Half those additions in the manufacturing sector, for example, represented the return of auto workers who had been furloughed an unusually long stretch for plant retooling. As the Liscio Report's sharp-eyed duo, Philippa Dunne and Doug Henwood, point out, moreover, the 30,000 fresh jobs in construction largely reflected gains in specialty trade -- the people who put the finishing touches on a building -- and they comment, "with housing showing signs of slowing, the construction sector may follow."

As Philippa and Doug also note, hours worked remained stuck slightly above the all-time low; hourly earnings generally were flat and actually slipped in the private service sector, quite a rare occurrence. And the unemployment rate rose to 5.4%, from 5.2%. This rate, in case you've forgotten, is calculated using the household rather than the establishment survey and, according to the household data, far from rising, nonfarm employment last month fell by over 100,000.

As a matter of fact, if one credits the household survey, the job market in recent months has been mostly punk. That just could be why the bubbleheads on Tout TV have been suddenly so sparing in mentioning it (they couldn't talk about it enough when it was showing solid employment gains, even while the payroll study, which we think is more reliable, consistently portrayed a jobless recovery). If the numbers don't tell you what you want them to tell you, hey, man, find yourself a set of numbers that will.

As to the poor buck, just when it seemed on the road to recovery and all our technician friends, after fastidiously consulting their charts, insisted that it was headed onward and upwards, it fell victim to multiple ambushing, topped off Friday by the revelation that January's trade deficit had hit \$58 billion-plus, the second-highest ever.

Most insidious and damaging, though, were the not very subtle hints by Asian governments that while they still love us to bits and pieces, they wouldn't mind unloading some of their monster holdings of dollars.

In their public murmurings to that effect, by way of explanation, South Korea and Japan both uttered the magic word "diversity," as in diversity of the composition of their dollar-heavy foreign-exchange reserves. That's a notion that China already had embraced. Now, understand, South Korea and Japan each took pains to avow that its new-found but irresistible desire for diversity in no way indicated an intention to dump dollars. Which, translated from the Korean and the Japanese means that's exactly what they intend to do, smiling, to be sure, and ever so gently as possible.

Imagine, Stephanie Pomboy urges her readers in her MacroMavens commentary, one morning you're looking at your monitor and a headline scrolls across saying, "Bill Gates has no plans to sell his Microsoft shares." Which is promptly followed by another headline saying, "Steve Ballmer to maintain Microsoft holdings." That'd be more than enough, Stephanie has a hunch, to make you just a mite suspicious that all might not be well at Microsoft. (And, we might interject, give you the heebie-jeebies if you happened to be a Microsoft shareholder.)

How in the world, then, she marvels, is it not clear to everyone that what we're witness to is the Asians dashing for the dollar exits? But, of course, no one wants to say so; for one thing, it'd be impolite; for another it just might touch off a furious frenzy of dollar selling.

Truth is, China, Japan and Korea have already begun the process of whittling down their enormous hordes of greenbacks by a kind of benign neglect. More specifically, they're not stockpiling dollars with anything like their old zest. Stephanie observes that China, for example, whose total foreign exchange reserves three years ago were 83% dollar-denominated, has shaved that proportion to 68%.

We dwell on the dollar's fresh bout of vertigo because it seems to us to hold the most potential for blowing away the economy and the market. Nor are we comforted by the soothing words from Washington and its apologists that the fault lies not with us, but with foreigners who save too much and grow too little. In truth, what ails the dollar is that we borrow too much and consume too much. And that's not likely to change in a blink, and neither is the prospect for a day of reckoning.

We hate to end on such a down note. After a bit of reflection, we're happy to pass along the good news that obviously the market has a sizable wall of worry, which, legend has it, is great because it gives it something to climb. No more goofy, we guess, than most investment wisdom.

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