# THE INVISIBLE HAND-JOB OF CAPITALISM

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First we confirm what we long suspected–bankers were manipulating the LIBOR rate to benefit themselves, corrupting one of the "market" measures at the core of the financial system.

And now, in an Abu Dhabi Commercial Bank suit against Morgan Stanley over residential backed mortgages, we get proof that banks pressured ratings agencies to rate shitpile as gold and even wrote their own ratings reports.

> For example, when the primary analyst at S.& P. notified Morgan Stanley that some of the Cheyne securities would most likely receive a BBB rating, not the A grade that the firm had wanted, the agency received a blistering e-mail from a Morgan Stanley executive. S.& P. subsequently raised the grade to A.
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> And when a Morgan Stanley colleague asked for information about the Cheyne deal, Rany Moubarak, an analyst at Morgan Stanley on the deal, wrote in an e-mail: "I attach the Moody's NIR (that we ended up writing)" referring to the new issue report published by Moody's in August 2005.
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> The court filings also demonstrate a lack of methodology for analyzing the Cheyne debt. For example, in an e-mail before the deal was sold, S.& P.'s lead analyst wrote to a colleague: "I had difficulties explaining 'HOW' we got to those numbers since there is no science behind it. The documents show that the lead analyst at Moody's noted there was "no actual data backing the current model assumptions" for segments of the Cheyne deal.

> The ratings agencies were also reluctant to turn down business from issuers of complex securities like Cheyne, the documents show. Perry Inglis, a former managing director in S.& P.'s structured finance unit, wrote to colleagues in an e-mail in February 2005: "I don't want to miss one deal because of our model assumptions either. Is there any possibility of 'tweaking' the default table to get all of this so that we don't have to compromise?"

Like the LIBOR rates, this Morgan Stanley suit shows that ratings were just made up out of thin air.

> Robbins Geller also provided a helpful CliffsNotes version of the evidence in the form of an unredacted response to the defendants' motion for summary judgment. (A redacted version was filed in February, with page upon page blacked out.) This is a hot filing. Abu Dhabi quotes deposition testimony from "S&P's most senior quantitative analyst in Europe," for instance, that says "the ratings of (the SIVs) were inappropriate because the ratings of the underlying assets were not appropriate. So it leads to the conclusion that they should not have been rated." In other snippets quoted in the filing, rating agency analysts complained about "difficulties in explaining HOW we got to these numbers since there is no science behind it" and about "(making) up haircuts that were palatable to SIV issuers."
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> A lead S&P analyst on the deal, according to the plaintiffs, said in an email to his boss that the default rates the agency was using for asset-backed securities were guesswork. "From looking at the numbers it is obvious that we have just stuck our preverbal (sic) finger in the air," the analyst wrote.

Sure, we already knew all this; these filings just offer long-awaited proof.

But amid the furor (in the UK at least) over the LIBOR scandal, it seems a good time to hammer on the lie at the heart of all the myths about these MOTUs: this is not capitalism. It hasn’t been capitalism for a very very long time. So if we’re saving something in the name of capitalism, we sure as hell ought to be sure it bears even marginal resemblance to capitalism before we continue to prop up a totally arbitrary abusive system.