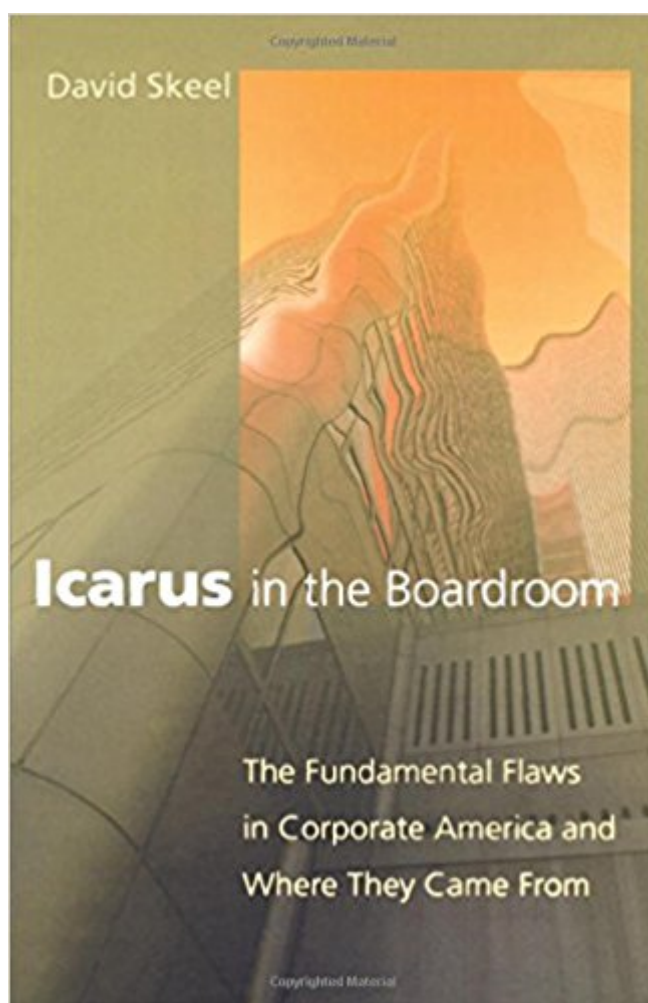


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# Icarus In The Boardroom: The Fundamental Flaws In Corporate America And Where They Came From (Law And Current Events Masters)



## Synopsis

Americans have always loved risktakers. Like the Icarus of ancient Greek lore, however, even the most talented entrepreneurs can overstep their bounds. All too often, the very qualities that make Icaran executives special-- self-confidence, visionary insight, and extreme competitiveness--spur them to take misguided and even illegal chances. The Icaran failure of an ordinary entrepreneur isn't headline news. But put Icarus in the corporate boardroom and, as David Skeel vividly demonstrates, the ripple effects can be profound. Ever since the first large-scale corporations emerged in the nineteenth century, their ability to tap huge amounts of capital and the sheer number of lives they affect has meant that their executives play for far greater stakes. Excessive and sometimes fraudulent risks, competition, and the increasing size and complexity of organizations: these three factors have been at the heart of every corporate breakdown from 1873, when financial genius Jay Cooke collapsed, to the corporate scandals of the early 21st century. Compounding the scandals is an ongoing cat-and-mouse game between regulators' efforts to police the three factors that lead to Icarus Effect failures and efforts by corporate America to evade this regulation in the name of efficiency and flexibility. These efforts to side-step oversight can rapidly spiral out of control, setting the stage for the devastating corporate failures that punctuate American business history. But there is also a silver lining to the stunning failures: the outrage they provoke galvanizes public opinion in favor of corporate reform. The most important American business regulation has always been enacted in response to a major breakdown in corporate America. Today's business environment poses unprecedented perils for the average American as for the first time ever, more than half of Americans now own stock. Identifying the problems of the past, Skeel offers a strikingly new diagnosis of the fundamental flaws in corporate America today, and of what can be done to fix them.

## Book Information

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## Customer Reviews

"An excellent historical analysis of four episodes of scandal that have roiled American business. It also provides a superb illustration of the political use to which such events have been put. The thread unifying these episodes is the Icaran executive--the consummate risk-taker and overconfident survivor of successive probationary crucibles, for whom risk-taking tends easily to transform into fraud. According to Skeel's account, the Icaran executive is the personification of the fundamental flaws of corporate America. And it is a convincing story. --Michigan Law Review"

In his important new book, University of Pennsylvania law professor David Skeel shows that huge corporate failures go far back in American history."--The Weekly Standard"...[an] accessible history of bad behavior in big business and what Americans have tried to do about it."--The Philadelphia Inquirer

"Convincingly highlights deep problems yet to be resolved with the current system of investor protection."--The Washington Post

"This good book does much to illuminate the causes of corporate collapse and the challenge of controlling corporations' behavior in a world where they influence every aspect of our lives. It deserves a wide readership - and it is an excellent read."--The Law and Politics Book Review

"In this important and highly readable book, David Skeel combines historical analysis with straight-out-of-the-headlines events to show that Enron and its ilk are part of an age-old pattern: fly to the heavens, fall to Earth, and start over. Understanding the preconditions for corporate crisis, simply and brilliantly laid out here by Skeel, is the first step toward fixing what's wrong with Corporate America."--Mark D. West, Nippon Life Professor of Law, University of Michigan

"David Skeel has done a masterful job of putting the recent corporate scandals in context. His lively, accessible, and perceptive book brings an understanding of business, law, history, culture, and systems analysis and has important insights for investors, executives, policy-makers, and scholars."--Nell Minow, Editor, The Corporate Library

"David Skeel has found a fresh and incisive perspective on our recent corporate scandals. Historically, American corporate finance and law has been shaped, he argues, by the failures of bold, visionary speculators whose reckless gambles invariably attempted a bridge too far and inflicted great damage on others when they collapsed. In turn, their debacles spurred the reforms of the Progressive Era, the New Deal and now the Sarbanes-Oxley Act. More than a capsule history of financial fraud, his brief study raises

disturbing policy questions and suggests provocative answers, because he finds our contemporary system of corporate governance, even after Sarbanes-Oxley, to be more vulnerable to spectacular mega-failures than at any time in the past."--John C. Coffee, Adolf A. Berle Professor of Law, Columbia University"Icarus in the Boardroom is both an insightful look at the causes and cures of American corporate scandals and a lively collection of stories of American business. Skeel's provocative book puts Enron in perspective and asks all the right questions about regulating the corporation."--Larry E. Ribstein, Richard W. and Marie L. Corman Professor of Law, University of Illinois

David Skeel is the S. Samuel Arsht Professor of Corporate Law at the University of Pennsylvania. The author of *Debt's Dominion: A History of Bankruptcy Law in America*, he is a frequent commentator on corporate legal affairs and his op-eds have appeared in the *Financial Times*, *Los Angeles Times*, *New York Times*, *American Lawyer*, and *Philadelphia Inquirer*.

I blasted through this book almost in one sitting: a breath of fresh air! Since the stock market crash of 2008, I have felt "bottomless" in my relationship to corporate and financial America - I just don't know how things sit and how I feel about them. Since this book was written in 2005, it does not account for 2008 (and Prof. Skeel has mentioned he thinks 2008 was different in many respects); nonetheless, the book does a great job at presenting the "fatal flaw" in the drama of American corporate life, tracing it through the roller-coaster ride of Jay Cooke, Samuel Insull, Michael Milken, and others. In this book, Skeel develops an argument that American executives suffer from three "Icaran" tendencies, named after the protagonist in the Greek tragedy: 1). extreme risk-taking 2). unbridled competition 3). exploitation of corporate structure. Skeel expertly shows how these three tendencies have played a role in market crashes from the beginning of America to the present (2005) day. I particularly appreciate his recommendations at the end of the book about how we might mitigate or lessen the Icaran tendencies. It is here that you see Skeel-qua-lawyer as much as Skeel-qua-historian. A few of them are (1) have the stock exchanges produce lists of qualified analysts and assign them to firms to avoid conflict of interest; (2) make it illegal for employees to invest over 10% of their finances in any single stock; and (3) corporations that want to act like financial institutions should be regulated as such. I am not at all well-versed in this field, but Skeel is an able guide, and a generally educated reader can keep pace with his lucid explanations. You'll enjoy this book; I did.

Another great work from a master of law, economics, and history.

University of Pennsylvania law professor David Skeel's "Icarus in the Boardroom: The Fundamental Flaws in Corporate America and Where They Came From" presents an analysis of corporate scandals and catastrophic failures from the rise of the modern corporation through the present day. Skeel begins by analyzing the underlying causes of what he terms "Icarus Effect" failures, named for the mythological Greek Icarus whose hubris in flying too close to the sun caused his downfall. In Skeel's analysis, Icarus Effect failures occur as a result of three factors -- corporate executives willing to take excessive or fraudulent risks, the pressures of corporate competition, and the increasing size and complexity of the corporation. While not all corporate failures fit this definition, Skeel finds that the Icarus Effect underlies many of the most catastrophic and damaging failures in American business history. Skeel's investigation of corporate malfeasance and business failure covers a wide historical scope, from the birth of the corporation during the 17th century voyages of trade through the exploits of recent figures such as Ken Lay, Bernie Ebbers, and Dennis Kozlowski. Along the way, we meet a number colorful historical characters such as Jay Cooke -- the Philadelphia banker whose scheme for selling government debt helped to finance the Civil War and fuel the growth of the U.S. railroads until his increasing risk-taking caused the collapse of this financial empire in 1873 -- and Samuel Insull -- who established a utilities empire with a complex web of corporate ownership until his overextended, debt-laden empire was brought down during the Depression. The most fascinating aspects of Skeel's historical analysis are the frequent parallels between the catastrophic failures of the past and those in recent headlines. Jay Cooke's dinners with President Grant are reminiscent of the friendly relationship between President Bush and Enron's Ken Lay. And Samuel Insull's elaborate corporate structuring of his utilities holdings in the first decades of the 20th century are eerily echoed in the complex "off balance sheet" holdings of Enron in the final decade of the century. In the closing sections of "Icarus in the Boardroom," Skeel provides a critique of recent attempts to curb corporate misbehavior such as Sarbanes-Oxley, and finds little that he believes is likely to retard the ongoing cat-and-mouse game between legal curbs on corporate behavior and clever techniques for evading them. In the final chapter, Skeel offers a number of his own recommendations for how America can strengthen oversight of corporate behavior. "Icarus in the Boardroom" is fascinating for both its historical perspective on corporate malfeasance and its analysis of recent headline events.

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