

Ronnie Moas « Quelqu'un à Wall Street devait parler des conséquences du capitalisme » (someone needs to speak out against extreme forms of capitalism)

<http://ragemag.fr/ronnie-moas-wall-street-consequences-capitalisme-71708/>

Translation of the transcript of Ronnie Moas interview with Julien Cadot, Editor in Chief, RAGEMAG (France)

Since the publication of his 44-page report on ethics and morality in finance, Wall Street analyst, and Philanthropy & Philosophy Founder, Ronnie Moas received widespread attention in the world media. By blacklisting six major American companies, on ethical and moral grounds, Moas distanced himself from most in the financial services industry.

What is the activity of Standpoint Research, the firm that you created in 2004?

Standpoint Research is an independent research provider with no conflicts of interest. We give stock recommendations mainly to hedge funds and mutual funds. I also have some individual customers. Ideas are generated by a 155-variable computer model that I developed (1998-2003) over a period of five years. I run the model weekly and it generates ideas for me. I then apply fundamental and subjective overlays before issuing an actual recommendation – that goes out in the form of a 15-20 page report. I don't just recommend a name because it scores well on my computer model. During the last six years, I have issued more than 400 (audited) recommendations and there is no Wall Street firm that was as accurate -- 69% of my recommendations beat the S&P-500 by at least 500 basis points (five percentage points).



Do you consider yourself as a computer programmer or financial analyst?

I wear many hats. I do everything. I developed the computer model and I am also an analyst. This is my company and it is more or less a one-man operation. I employ people in India to help me, all who have CFA and CPA certifications, and I pay them very well. They have worked with me for several years now.

I think I have credibility on Wall Street ... because I am not on Wall Street. I do the opposite of what is done there ... I live in Miami Beach; I work at home; and take a nap during the day.

Does your company have a good reputation in the United States?

Extraordinary, yes. If you go to my web site, you will see that I was recently four times on television -- CNBC, Wall Street Journal (online), Fox, RT.com, and Bloomberg. I was approached by many other publications and radio stations in recent years.

If you see a stock that is promoted four or five times in a day on Wall Street, I often come the next day and I downgrade. I do the opposite of Wall Street. And this is also why my ranking is higher than most of my competitors. There are many analysts on Wall Street: they act like sheep. Everyone follows the shepherd. I go in the other direction and this is perhaps one of the keys to my success.

Do other analysts consider you a threat?

Oh, no. There are thousands of analysts in the country today. Anyone with a computer calls himself/herself an analyst today. Go to a site like Seeking Alpha, you will find thousands of



contributors. Many of them lose their jobs on Wall Street, and then try to set up a business from their home, which also involves writing reports. Many do not know who I am and I do not know who they are. Most of the time, no one appears in the public arena. I know though -- because I have the reputation of being the first to buy and the first to sell -- that some firms know me, know my history and they will act on my recommendations. They know they are likely to be right more often than not if they follow the timing on my sales and

purchases. They will never admit it, but many do. Everyone follows someone, it is now the national pastime it seems ... *whale-watching*. But most people never will credit their sources and say they do everything themselves. It is human nature.

When and how did you come to the idea that morality and ethics of a firm were things to consider before making an investment?

This is something that has been eating away at me for a long time now. My blood took a few years to come to a boil, and the straw that broke the camel's back came a few months ago. I am seeing too many extreme examples of capitalism. Apple has \$150 billion in cash in the bank, and at the same time they pay their employees in Asia two to three dollars an hour. If they tried to do that in the United States, they would end up in prison. They can't get away with that in the United States, so they go to places where they can behave this way.

The Amazon CEO alone is worth \$27 billion and employees in the US warehouses are paid 10 dollars an hour. You can't live on such a salary in the United States. Take Yahoo as another example: the COO was fired there after fifteen months and they gave him more than \$50 million when he exited. The tobacco industry is responsible for 5 million deaths every year and it remains a legal product. We have every year 3,000,000 children dying of hunger and society is doing little to eliminate this problem.

We went to war when 3,000 people died in the horrific attacks of September 11 against the World Trade Center. Since then, 50 million people died from tobacco, 40 million children died of hunger and few are talking about this. I want to understand for how much longer this will continue. When will we wake up and start treating others as human beings. I should not be paid a hundred times the amount paid that a person working on the other side of the street at McDonald's is taking home. I am not worth a hundred times that person.

You put on your black-list six companies: Philip Morris, Starbucks, CVS, Apple, Amazon and Yahoo! Why these six?



I could blacklist hundreds of companies. We have a problem with capitalism: there is the pressure to generate maximum profit when you are the CEO of a company, and when things do not go as they should, you have two choices. The first is to lose your job because you did not have the

required return. The second is to work without morals or ethics to achieve the numbers Wall Street wants. When things do not go well, you are going to use misleading advertising; you will use sweatshops in Asia; you will fire employees; you will move your factories in the United States to Asia, South America, Central America or Africa. You do everything you can to reduce your expenses. In every sector there is blame to go around, at one level or another.

I decided to blacklist these companies because I think they are extreme examples. I have no problem with capitalism itself: I think it is a decent system, or at least better than other systems. I am for capitalism but only if there is a balance between profit and fairness. Apple, CVS, Starbucks, Amazon and Yahoo! should lead by example and treat their employees decently – instead, they are doing the opposite.

These companies have enough money to start a revenue sharing plan and give their employees what they deserve. How is it possible that someone working for Amazon twenty years has nothing to show for his/her efforts? And the CEO is sitting on \$27 billion? How is it possible that workers in Asia are committing suicide and work like slaves while Apple has \$150 billion in bank? It is just not fair.

The US administration will take the easiest way out: they will say that it is a Chinese problem -- and that they have to increase their minimum wage.

I try to explain to consumers that they have a lot of power when they decide what they will buy. It is almost more powerful than voting. In an election, chances are that you do not have the power to decide an election, to tip the balance one way or the other. If consumers hear me and decide to stop buying a particular product, it will force firms to change their behavior: they will not change until they understand that it is more expensive for them not to change. Apple and Amazon will continue their business as usual until feel threatened. We must refuse to support these companies until there is a redistribution of their profits with their employees. When the rich take from the poor that is OK, but when I talk about wealth redistribution and taking from the rich to give to the poor, there are those who criticize me.

Is the US administration able to control what these companies do?



The government has a budget problem. They can't spend money to regulate the activity of hundreds of firms. The US administration will take the easiest way out: they will say that it is a Chinese problem and they have to increase their minimum wage. And this is how they will get rid of the problem. The US government decides the minimum wage in this country: it can't say to each company that has employees outside the United States how they should pay. **Indeed**, some employ Asian

workers at low wages because they can't afford to pay more than that. That being said -- a company like Apple, which earns \$35 billion a year, should treat their employees better. Here in the US, we have Christmas bonuses, profit sharing plans, raises, health coverage ... why aren't Asian workers getting the same from Apple? Because no one is forcing Apple to give -- they are acting in a criminal manner. Dozens of employees in assembly plants committed suicide after years and years of brutal conditions.

Millions of shipments around Christmas for Amazon: they do not happen magically. People work like slaves in order for these products to be delivered to our mailboxes every day -- we are so addicted to consumption. We consume things we do not need, but even worse, we do not care how the employees of these companies are treated. What interests us is to have our items at low prices. If someone is exploited in the process, most consumers will not even think about it. We now have 3.5 billion people who live on less than \$4 per day. 50% of the world population control \$1.7 trillion. **The richest 1% control 65 times that amount.**

If you take all the money of the 100 richest people in the world, it is more than the money of the poorest 3.5 billion. If we did a simple redistribution of this wealth, take a little bit of money to redistribute from the richest to the poorest ... we could double or triple the standard of living of people who are in the group of the poorest 50% -- we can do this and lift hundreds of millions out of extreme poverty, without hurting anyone. Unfortunately we have many selfish and unethical people in this world.

In strictly financial terms that could appeal to these people you are talking about, could you say that investing in ethical companies is a good investment? Would you give this advice to your clients?



I think there are examples of companies that are fair and ethical and making a lot of money. An example that we like to give in the United States is that of Walmart versus Costco. A Walmart employee earns \$10 per hour. At Costco, the same employee is paid \$20 an hour -- and they are both the same jobs (more or less). Costco is an example of a company that treats its employees decently

and people continue to buy from them, even if it costs them a little more money, as they know that employees there are treated fairly well. I like to use Starbucks as an opposite example: CEO is with a net worth of \$2 bln (and shareholders now own \$50 bln worth of stock. People who pick the coffee beans are paid \$4 per day. Americans do not care: they just want their coffee. I was in the coffee fields in South America and Central America and watched the bean pickers melt in 100-degree heat for 4 dollars a day. Some of them did not even know who Starbucks was!

Since we are talking about Starbucks, what do you think of greenwashing – when a firm is advertising, promoting and calling attention to their environmental awareness and good behavior?

I think it is *bullshit* -- Public Relations. We cycle cups ... we give proceeds to charity ... we are socially conscious ... blah, blah, blah! Unfortunately, those picking the coffee beans 2000 miles away are not taken into consideration – they are off our radar. Consumers want everything cheap and do not care that the farmers are treated as slaves.

Do not you think this is an inevitable consequence of an economy based on free trade?

This is the price we pay for such an economy, precisely. The poorest are not considered and not properly appreciated, paid and valued. We would pay a baseball player \$20 million a year, but the minimum wage earners with whom we interact daily must hold two jobs because he/she can't live with the \$300 a week he/she is paid for 40 hours.

I understand that not every company can raise the minimum wage – it would force many companies to close or lay off people and those who do remain will be forced to compensate. **The answer is a redistribution of wealth.** Higher taxes for the rich and that money would go to those who do not earn \$15-\$20 an hour in the US. Subsidize the incomes of the poor.

The French government has tried without much hope a 75% tax on higher income – your thoughts?

That may in fact be too high. This pushes the richest to leave the country, I'm not talking about taking things to this extreme. I would target those who cheat on taxes. I would like the tax code rewritten so that there are not as many loopholes. And I want the richest people give more ... if they do not give voluntarily, must take this money.

*It is easier for me to tell you what is not fair than to tell you what is right.
Everyone has a different opinion of fairness.*

You know, faced with such measures, rich French may go to another French-speaking country, such as Switzerland. That being said, wealthy Americans will probably not leave America. It is different here. They think they are in the best country and will not leave the United States to go to England or Australia. It is not their mentality. I would not worry about it.

You say in your report that France has approved a bill to support the booksellers against Amazon. Where do you put the boundary between a rule that is fair and a barrier to innovation?

There is a problem with rules and determining what is right ... that it is difficult. We do not know where to draw the line. I know when I see something that is not fair. It is easier for me to tell you what is not fair than to tell you what is right. Everyone has his vision of fairness. Some would say that a 20% tax is high ... others will feel that 30% is too low.

When we witness something that is not right, few people will disagree. How Amazon avoided taxes and destroyed the competition with shady sales practices is unfair. When you sell books at a loss to eliminate competition and increase your market share -- and then once your competitors are dead, you begin to raise your prices ... this is not fair.

Did many bookstores fail because of Amazon in the United States?

Yes, of course. There are very few remaining bookstores and record stores in America. We used to have in each neighborhood, independent, family-owned, record stores and booksellers. It was a part of the culture here, as in Europe. Now, if you want to buy a CD or a book, you must go to Amazon. Borders has closed, Barnes & Noble struggles to survive. Best Buy has concerns.

If Amazon has the right to operate in France as it has in the United States, you will have the same result. Few can compete with someone so large. Even the quality of writing is impacted: people no longer want to write books, because the amount of the advances they receive has declined steadily for 20 years. While the business model of the industry has changed, Amazon has profited and most others have paid the price.

You notice that people are more informed today about the injustices around them every day. Do you think the internet as a tool for democratization of knowledge, was the first step towards an economic revolution?

I think so. I believe that we will witness a shift in social policies. I think that social media and websites that talk about these problems will cause people to change. It may take five, ten or twenty years, but eventually the truth will come out and these companies I'm talking about will be forced to change. Again, they will not change because those who run these companies have suddenly become good people: they will change because they feel that by not changing their business will be at risk.

Why do you think some analysts and media in the United States went against you?

Many people who have money are greedy and do not want to hear what I have to say. They are perfectly happy to earn millions of dollars every year and not pay taxes. The fate of employees is the least of their worries. They are disconnected physically, financially and emotionally: they live in the bubble of the upper class and what happens outside of this bubble does not concern



them. You know, in the United States, when you suggest a compromise on freedom ... you stir up some very aggressive people. Republicans like their freedom, their guns, their tobacco, and their motorcycles. They do not like paying taxes, and they do not like the current government. I'm sure you have the same in France. There also are poor Republicans. And when you start to tell these people that they have a little less freedom-- that they consider something as sacred as

religion -- you can expect a rather aggressive reaction from them. Always remember that in this country, just fifty years ago, African-Americans had no right to sit next to a white man on a bus or in a restaurant. There are many stains in the history of the United States. Americans like to think they live in the most beautiful place on Earth and that they are the best, but there are still a lot of things in this country that should not be part of our society. We have much room for improvement.

Do you think charity programs have failed?

There are good and bad charities. Some are effective, others are corrupt. As is each type of company or organization, for that matter. There are charity programs run by criminals. Whenever I talk with wealthy people and I ask them: **Why do you not give more money to charity?** Oftentimes, they will reply, *I do not trust them, I think that they take my money and give it to the wrong people.* That is why I created www.philanthropyandphilosophy.com -- I selected 24 programs that are highly regarded, efficient and trustworthy. People now have 24 options to distribute the money and do not need to worry about how this money will be spent.

Some people are born with everything against them and have no chance to go ahead, even if they work hard.

What role does this new project play next to your activity at Standpoint Research?



My business is to provide financial advice, and therefore there is a link between Standpoint Research and my new organization -- www.philanthropyandphilosophy.com. With Standpoint Research, I show my clients how to earn money in the stock market. I then can direct those clients to spend the profit in a responsible and constructive manner. I want them to give money to

charity programs and help the poor. Simply put, my new project shows my clients (and those who are not) how they can spend the money they do not need. I promote causes from the fight against cancer, improving education, and the homeless, to eliminating hunger related deaths and shelters for abandoned animals -- 4,000,000 cats and dogs are put to sleep (euthanized) every year in the US.

Today we are giving less than 2% of our money to charity and I this is insufficient, indefensible and inexcusable. If we could go from less than 2% to 3%, 4% or 5%, all extreme poverty could be eliminated. We could lift **hundreds of millions** of people out of poverty. Of course, we will move towards the left and some will take advantage, but that is no excuse not to give.

Some people are born with everything against them and have no chance to get ahead, even if they work hard. In our world, if you are Justin Bieber and you get drunk one night, you make the headlines. I talk about 3 million children who die of hunger every year in the world because they do not have food ... and few will write about this (as you have). It is difficult getting on the major television networks because I attack their sponsors. The market capitalization (stock market value) of Walmart, Apple, Amazon, Starbucks, CVS and McDonald's is now more than **ONE TRILLION DOLLARS** ... most of this money is in the multi-millionaire and billionaire shareholder pockets ... the employees have nothing! The rich say we are demanding **redistribution of wealth**. No- that is what the 1% have done to the bottom 50% hundreds of years. **Enough is Enough** with this rigged capitalist system designed to destroy those at the bottom.

Thank you