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Global Crossing

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criminal statutes as an avenue to indict white-collar criminals.

During his time as the U.S. attorney for the Southern District of New York, Giuliani also engaged in criminal prosecution of politicians and politicos who operated outside the law. This tenacious dedication to ending political corruption may have galvanized his first run for mayor, an unsuccessful attempt in 1989. The crime rate in New York after his failed election remained high, and Giuliani offered his crime control alternative in the next election, which he won in 1993.

Giuliani's managerial attributes have helped him in his role as investigator, prosecutor, and manager. Author Fred Siegel describes this attribute as an innate ability to see things from a managerial perspective. Giuliani has the ability to see things from the top down. For example, when he goes to a New York Yankees baseball game, he watches it as if he were the manager of the team, keeping notes of which batters are hitting and which are not. When he investigated organized crime, he imagined himself as the "boss." He used this same perspective to investigate and prosecute white-collar crime. Giuliani was able to understand how white-collar criminals, operating within a business structure of an organization, affected its performance. Giuliani was able to see weaknesses in business models that left the door open for criminal activity, taking advantage of the weaknesses in businesses and exploiting profit from criminal activity.

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See Also: Goldman Sachs Group Inc.; Kidder, Peabody & Co.; Organized Crime; Public Corruption; Racketeer Influenced and Corrupt Organizations Act; Racketeering.

Further Readings

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Global Crossing Ltd.

Global Crossing Ltd. was founded in 1997 by Gary Winnick, a former junk-bond trader, who was tutored under the watch of Michael Milken. Winnick established the company for the purpose of revolutionizing data transmission by the creation of a global fiber-optic network. The company went public on August 13, 1998, and its stock price immediately soared 300 percent on its first day of trading. The stock price continued to rise, and by 1999 the company was valued at over 30 times its earnings, fueled in large part by mass telecom deregulation, the craze of the Internet boom, and the U.S. Commerce Department's prediction that Internet traffic would double every 100 days. The company was a Wall Street favorite, in part because it often paid handsome fees for underwriting and other services, and in part because Winnick used his natural charisma to sell a deceptively simple plan for a global data network. Just five years from its inception, however, the company filed for bankruptcy protection, in January 2002, then the fourth-largest bankruptcy in U.S. history.

Massive Network

To construct such an ambitious fiber-optic network, Global Crossing purchased the largest independent undersea cable-laying firm in the world, ultimately laying 100,000 fiber-optic miles to 27 countries and 200 major cities on four continents. The construction cost for the global network was high, reaching $15 billion. Much of the construction cost was financed with debt underwritten by investment banks. The total debt exceeded $12 billion when the 2001 market downturn hit the company, triggering a subsequent write-off of $17 billion in assets.

Global Crossing filed for bankruptcy soon after, unable to overcome its mounting debt, combined with rapidly falling bandwidth prices because of increased competition and a glut of network capacity. The stock price plummeted with the bankruptcy announcement, yet just a few weeks prior to the company's collapse, Winnick sold shares valued at $123 million, bringing the total value of shares cashed out during Winnick's tenure to $734 million. Winnick also received other expensive perks, spending hundreds of thousands of dollars for lavish redecorations of corporate offices and millions for political contributions; and he also required Global Crossing to maintain a fleet of five jets. In addition, Winnick purchased a $94 million mansion in Beverly Hills, setting the record for the highest single-family home in the United States. After it emerged from bankruptcy reorganization, Singapore Technologies Telemedia purchased a 61.5 percent stake in Global Crossing for only $250 million, eliminating $52 billion of combined stock and debt investor value, while Winnick became nearly $1 billion richer.

Global Crossing was later charged by the U.S. Securities and Exchange Commission (SEC) with accounting manipulations. The SEC investigated Global Crossing's use of swap transactions, in which telecom companies trade equal amounts of network capacity, each paying the other for offsetting capacity. The seller recorded the trade as revenue, and the buyer recorded the trade as a capital expenditure. The effect of the swap transaction was that actual cash payments were offset by the parties, but the capital expenditure was amortized over time, keeping the expenses related to the sales of bandwidth off of the income statement until future years. The accounting mechanism overinflated sales and cash flows and underreported expenses.

A class-action suit alleged that swap revenues totaled over $700 million in 1999, or one-half of the company's revenue. The 2000 and 2001 financial statements also failed to show losses of $25.7 billion. Global Crossing did not report these losses until December 2003, after it had filed for bankruptcy. The SEC investigation concluded that there was no evidence of fraud or insider trading. However, the SEC noted that the accounting treatment of the swaps was wrong, and that Global Crossing executives failed to adequately disclose the transactions, but did not do so with the intent to commit fraud. Three Global Crossing executives settled with the SEC, paying fines of $100,000. No fine was imposed on the company, and Winnick was not charged after the SEC commissioners concluded in a 3–2 vote that he should not be held liable because he was the company's chairman, not an executive officer.

Winnick was also a defendant in 70 lawsuits, ultimately resulting in a settlement with various parties, including the company and the company's lawyers and insurance firms, with Winnick paying $55 million. Winnick paid an additional $25 million to settle a lawsuit involving employees holding Global Crossing stock in their 401(k) accounts.

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See Also: Accounting Fraud; Adelphia Communications Corp.; Enron Corp.; Reform and Regulation; Securities and Exchange Commission, U.S.; WorldCom Inc.

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Global Warming

Scientific writings on global warming began in the latter part of the 19th century, notably by Swedish scientist Svante Arrhenius, who suggested that emissions from the Industrial Revolution would cause the planet to warm. Articles relating to climate change have appeared routinely in the popular press in the United States since the 1950s. In the 1980s, there was little controversy or debate as to the realities of global warming. In fact, environmental reporting in popular American newspapers, such as the *New York Times* and the *Washington Post,* peaked in the late 1980s. In 1989, more than 70 articles were written on environmental issues, mostly focused on the problems caused by climate change. By 1994, there were less