Q: You say that individual investors have paid a heavy price for the abuses that occurred within the corporate, investment and mutual fund communities during the past few years. In what ways?

A: Individual investors have incurred high losses by paying excessive costs for executive compensation and purchasing over-priced stocks from option-enriched executives and entrepreneurs. Investors have also sacrificed returns by paying excessive management and marketing fees to funds that have delivered market-inferior returns. These costs can deprive investors of as much as 75 percent of the potential long-term returns available in the stock market simply by owning an S&P 500 Index Fund.

Q: Despite the problems you point to in the book, you remain optimistic about the future. What are some of the things that make you hopeful?

A: Progressive public policy has begun to move toward the creation of a better world for investors, with laws and regulations designed to enhance the accuracy of financial statements, to increase the responsibilities of directors, and to give owners opportunities to ensure that their interests are served. However, the greatest reforms will come when an even better educated and informed investing public takes action in its own enlightened self interest.

Q: If you were to distill your book down to a few key messages, what would those be?

A: It is time to abandon the managers’ capitalism that has shaken our society’s belief in the fairness of the system and return to the owners’ capitalism that built our nation. We need to build independent boards of directors who will provide prudent stewardship of the assets of the owners. We need the new controlling stockholders of corporate America—the mutual and pension funds—to act responsibly and solely in the interests of their investors. We need to create far more efficient systems for retirement savings that assure investors and beneficiaries of their fair share of market returns. To begin these tasks, we need to form an independent federal commission to evaluate our new agency society, with a view toward restoring fiduciary duty and trust as its objective.
THE BATTLE FOR THE SOUL OF CAPITALISM

John C. Bogle

A financial expert explains what’s wrong in corporate, investment, and mutual fund America, the reasons behind the problems, and what should be done about it

There is no one better qualified to tell us about the failures of the American financial system and the grotesque abuses that have taken place in recent years than John Bogle, who as founder and former chief executive of the Vanguard mutual funds group has seen firsthand the innermost workings of the financial industry. A zealous advocate for the small investor for more than fifty years, Bogle has championed the restoration of integrity in industry practices. As an astute observer and commentator, he knows that a trustworthy business and financial complex is essential to America’s continuing leadership in the world and to social and economic progress at home.

This book tells not just a story about what went wrong but, more important, the story of why we lost our way and of how we can right our course. Bogle argues for a return to a governance structure in which owners’ capital that has been put at risk is used in their interests rather than in the interests of corporate and financial managers. Given that ownership is now consolidated in the hands of relatively few large mutual and pension funds, the specific reforms Bogle details in this book are essential as well as practical. Every investor, analyst, Wall-Streeter, policy maker, and businessperson should read this deeply informed book.

“Jack Bogle has written a brilliant and insightful book that highlights the many ways that our economy has suffered because managers have placed their own economic interests ahead of those of owners and investors. Bogle offers prescriptions that, if enacted, will help prevent a repeat of the scandals that we have witnessed over the past five years.” —Eliot Spitzer, Attorney General, New York

“A great, readable, and important book. Jack Bogle gets it right in this hard-hitting and entertaining analysis of corporate America. A wealth of commonsense wisdom for investors to protect themselves and profit from Bogle’s very specific suggestions.”

—Arthur Levitt, 25th Chairman of the U.S. Securities and Exchange Commission

JOHN C. BOGLE is founder and former CEO of the Vanguard mutual funds. In 2004, Time magazine named him one of the most influential people in the world. In 1999, Fortune magazine named him one of the four investment giants of the twentieth century.