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JOHN L. SMITH: Cowboys, keep an eye out for dastards on the wide-open business frontier

One of the most entertaining whoppers told about Nevada is that it's a good thing this state exists out on the leading edge of the libertarian frontier.

You've read about the mystical place in dime novels. It's out where deal-making Marlboro Men ride herd over free-market dogies, roping the strays and building their empires with minimal interference from government brand inspectors. It's cowboy capitalism at its best in the Silver State, or so the simplified legend would have you believe.

It's the best world, all right, up until you find that the ranchers are sucking up subsidies, the inspectors are few and far between, and the cattle are trained to perform like circus terriers.

These days, I wonder what the poor souls treated at the Endoscopy Center of Southern Nevada think of the state's tradition of under-funding its regulatory agencies. It's been good for the market, and some doctors have gotten rich -- wealthy enough to give generously to gubernatorial campaigns -- but it hasn't done much for Nevada's image.

It's little solace, but those harmed by the hepatitis C scandal aren't alone.

Although they might be hard to find now that they've been forced to forward their mail, ask the dozens of Nevadans who were tricked into signing shifty home mortgages what they think about the state's laissez-faire reputation in that area. Of course, you can always just wait until the FBI finishes its investigation into the home mortgage market in Las Vegas, which is receiving national notoriety as a hustler's paradise.

Tom Hantges, late of bankrupt mortgage-lending company USA Capital, would never call himself a hustler. He's an upstanding businessman who built an enormous success story on the strength of the booming local market, his personality, and what appears to have been an extremely thin line of state regulation. Today, USA Capital has yet to make whole 6,000 thoroughly roped and branded investors who entrusted the company with \$962 million.

Was that good business? It was, at least, for the buckaroos at USA Capital.

Then there's the curious case of William S. Reed and Asset Protection Group. It's one of my favorite examples of the tall tale of Nevada's business frontier in practice. After years of running him to ground, the Federal Trade Commission finally compelled the U.S. District Court on Oct. 23, 2007, to permanently bar Reed, without making him admit liability for any violations, from conducting business that helped others hide their ownership positions in Nevada corporations.

In its article on Reed's racket, USA Today said his company "capitalized on gaps in incorporation laws and virtually non-existent oversight to promote Nevada and other states as secrecy rivals of traditional offshore havens" such as Bermuda. Although Nevada Secretary of State Ross Miller later boasted of several changes that would at least partially lift the state's corporate veil, the fact remains Nevada's incorporation and limited-liability corporation laws have drawn a warning from the IRS chiding that anonymously run companies facilitate "underreporting of income, non-filing of tax returns, money laundering, financial crimes and possibly terrorist financing."

But that's life out on the Nevada business frontier. Regulation, who needs it? The cowboys have the freedom to rope the rubes.

No conversation on this topic is complete without trotting over to the corral of the Clark County Commission, which lost a few of its best hands in the last FBI public corruption roundup. When commissioners feel so aligned with big corporate entities in the community that they encourage speeding up such petty details as building permits and fire inspections, you have the potential for tragedy. The findings of the report of consultant Michael Kessler, following the exposure of these problems in the Review-Journal, reveal troubling prevailing philosophy inside the county: go along and get along, little dogies.

Although changes are in the process, it's essential to remember that the problem wasn't a lack of inspectors, but a lack of ethics. The inspectors were allowed to neglect their duties in an atmosphere where there were two classes: corporate and common.

The corporations received the benefit of willful blindness. Common taxpayers were compelled to play by every rule.

But that's life on the wide-open range here in the hustler's paradise.

So tip your hat to Nevada's big business frontier lie if you want to.

Just don't forget to watch where you step.

John L. Smith's column appears Sunday, Tuesday, Wednesday and Friday. E-mail him at Smith@reviewjournal.com or call (702) 383-0295.

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