

AI's perish

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Penchant for Mont Blanc pens, clown paintings brings economist down hard

The glossy flier left on banquet hall seats at the Francis Marion Hotel in downtown Charleston said about all there is to say at this point about the fate and greatly diminished fortunes of disgraced economist AI Parish.

The flier was for a "New Horizons Business Seminar," scheduled for April 26, but with no time to reprint the flier, someone had hastily placed a big black "X" in ballpoint pen across the blurb and photo of the speaker identified at the bottom of the page and simply stapled an announcement of a replacement to fill the 9 to 9:50 a.m. slot.

Parish now sits in the Charleston County Detention Center, facing one federal criminal charge and six civil charges stemming from his handling of investors funds in several informal investment pools he operated through Parish Economics LLC, Summerville Hard Assets LLC and Battery Wealth Management.

It has been several weeks since Parish delivered his last public address, an economic forecast prepared in cooperation with the Charleston Metro Chamber of Commerce, and since the first federal charges were filed, touching off communitywide recriminations and disbelief.

Since then, the man who always had a ready quote for reporters entered and was released from the Medical University of South Carolina, suffering from what his defense attorney described as a slowly lifting, but near-total case of amnesia.

Still the disbelief lingers.

"Every town has its go-to guy when it comes to economic forecasting and economic insights," said Andrew Fields, chief operating officer of M.S. Rau antiques in New Orleans, where Parish bought many of the antiques he told clients were hard asset investments.

"You just never expect anything like this to occur," he said.

Parish gathered connections

Long before he emerged from his mother's Hollywood, S.C., home and walked shackled, in a wild floral print shirt and red pants, into the Charleston County Detention Center, Parish had built a career as a respected local economist and go-to guy for scores of newspapers and radio stations in part by being a lightning rod of public attention.

The son of a gasoline truck driver and a school teacher, Parish made a name for himself early through his fastidious attention to detail and duty.

A lover of mathematics, Parish went on to become a star of the College of Charleston math department in the mid-1970s and later went on to secure his Ph.D. in economics from the University of North Carolina.

When he returned to Charleston to teach and become a presence in a city of long and storied characters, he also established the first of the investment pools that would eventually be his undoing.

As the local circles he traveled in grew ever wider, stretching from college campus to the chamber to even the S.C. State Ports Authority and the Charleston Digital Corridor, so too did his investment pools.

Not only was he the local economic sage, or as he liked to call himself, “Economan,” he was, on paper at least, a remarkably savvy investment councilor who managed to consistently beat the market for nearly 20 years despite the absence of training or a license to engage in such trade.

Testing theories not unusual

Although Parish’s dual activities as university economist and informal investment pool operator now seem extraordinary, in fact, he was inadvertently riding ahead of a trend that continues to grow.

As The Wall Street Journal recently reported, investors’ appetites for alternative investments that promise high returns is giving many college and university professors across the country a chance to test their economic theories in the realm of hedge funds.

For example, Robert Shiller of Yale University last year came up with the idea for an innovative futures contract on housing prices at the Chicago Mercantile Exchange.

And in a sense, such activities are not unlike researchers at universities such as Stanford or even MUSC, parlaying knowledge and discoveries into businesses in the high-paying, high-knowledge innovation economy. The professor or academic lends credibility to the product, and they get to expand their work into the public realm.

The problem with Parish’s forays outside the realm of academia to test his theories is that he took sound investment practices such as putting money into hard assets—the focus of two of his investment pools—in odd and seemingly all-consuming directions, according to hard asset experts.

Fields, who said he could not comment directly on Parish’s investments due to the ongoing federal investigations, said the typical buyer of fine art or antiques, two of the many areas in which Parish is alleged to have squandered investors funds, do so because, first, they love the individual pieces and, second, because the value of the piece may appreciate significantly over time.

“There is a hypothetical case that can be made for having purchased high quality paintings 10 years ago,” Fields said. “There are a number of great artists who sold in the five digits back then that now sell in the six digits. But those values are very much subject to the vagaries of the market and depend on how people perceive the artists and the economy.

“And you’re always prone to the exposure of unforeseen events like the terrorist attacks of 9/11 and Hurricane Katrina, which altered the discretionary spending of many, many people,” he said. “That’s why I think people who buy particularly fine items are just different from those who invest in stocks and bonds.”

The same can be said for antiques, which are fairly static from the perspective of investment gain, Fields said.

“Antiques are something people become very knowledgeable about because it’s fun to collect them,” he said. “They’re not something that’s typically going to race up in value; they’re something people want because of their inherent value and beauty.”

But if there are those who would agree that Parish at least bought soundly when it came to some of the items found in his home by federal investigators—authentic Norman Rockwell paintings, Paul Revere silver and myriad antiques, for instance—others are hard pressed to see the true investment value in the scores of Swiss watches, Mont Blanc pens and Red Skelton clown paintings the economist allegedly bought with investors’ money.

“That’s just crazy,” said Matt Hougan, a senior editor at HardAssetInvestor.com. “To the best of my knowledge, there’s no legitimate academic data classifying Mont Blanc as a sound investment asset.”

By hard assets, most investors are referring to large financial commodities such as gold, oil and copper, Hougan said.

“Mont Blanc pens and antiques sound more like a lifestyle than an investment strategy,” he said. “And even art, while it is thought of as a legitimate investment, is still on the fringe. I think Mr. Parish is making a basic mistake of semantics when he describes clown paintings as an investment.”

A more sophisticated investor would be more likely to invest in things such as hard assets mutual funds or the new exchange trade funds than a pen or a watch or a loose assortment of jewels, Hougan said.

Hougan has heard of a few other cases like Parish’s, but not on the scale of what was described to him.

“In every one of these cases, the individuals involved thought they had a good racket going. Unfortunately, these things never end well and they’re terribly sad because a lot of investors are hurt by that kind of largess with their money. It should make for a good auction, though,” Hougan said.

Out of control

By the time federal authorities began to close in on Parish and his investment pools earlier this year, Parish had more than 600 active investors and funds he claimed were worth almost \$524 million.

But his life and the reputation he sometimes arrogantly defended were quickly slipping out of control. Over the course of four weeks, apparently in an attempt to bolster the flagging funds that had fallen under federal scrutiny, he began running up excessive credit card bills, spending \$600,000 on his American Express card in February alone.

Atlanta lawyer David Dantzler, who is working with court-appointed receiver Hays Financial Consulting, described Parish’s investment scheme as “the classic definition of a Ponzi scheme.”

“The evidence we’ve reviewed to date suggests that recent deposits were used to pay returns to Parish’s previous investors,” he said.

“While we don’t know how much money we can account for at present, we know that at least some of his investors’ money went in several different directions. Some was spent on classic investments like stocks and bonds, some was spent on real estate, some on ‘lifestyle’ items like cars and clothes, and some on hard assets,” Dantzler said.

While investigators have seized his properties and followed up countless leads about where Parish may have stashed investors’ money, Dantzler said it appears the authorities’ “treasure hunt” is unlikely to make investors whole again.

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