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## Hedge Fund Manager Shakes Up Key House Race

Published: 3 Nov 2006 - 1:35pm

*by Jonathan Shazar*

The mid-term elections on Tuesday could prove to be the most important since the Newt Gingrich-led Republican Revolution 12 years ago, as Democrats seem poised to make big gains in both houses of Congress and in statehouses nationwide. Part of their success thus far can be attributed to an unusual level of financial parity between the parties, and the Democrats may have hedge funds to thank for it: More than two-thirds of political contributions made by hedge or buyout fund employees went to Dems this cycle, especially to the Campaign Committees.

But the hedge fund honcho that may have the biggest impact on their hopes for power isn't a donor, and he isn't a Democrat. He's Phil Maymin, Libertarian candidate for Congress in Connecticut's Fourth District. In a race likely to be decided by a mere handful of votes, Maymin's vote total could be the difference between continued Republican dominance in Washington and Democrats winning a share of power.

The anti-tax, anti-war Maymin is taking aim at both of his opponents, calling Democratic challenger Diane Farrell "a phony anti-war candidate" and incumbent Republican Chris Shays "a phony small-government candidate." In a politically polarized nation, Maymin has things to offer both sides. To conservatives, he offers a low-tax, small government, anti-gun control and anti-illegal immigration platform. To liberals, he offers a stridently anti-war message and a pledge to pull American troops out of Iraq by next summer. In a race as tight as this one, neither Farrell nor Shays can afford to ignore Maymin's appeal. He participated in all seven debates between the candidates. Farrell, in particular, may be vulnerable to an erosion of anti-war support. "Please stop listening to Phil Maymin," he says, paraphrasing her argument. "Just close your eyes, close your ears and ignore the truth."

Maymin, who co-founded hedge fund Maymin Capital Management in his adopted hometown of Greenwich, Conn., last year, decided to run after being approached by the Stamford Libertarian town committee. It is his first political campaign.

"I knew I wanted to run," he says. "It's not that hard, especially as a Libertarian. For anyone with principles, it's easy, because you know what you believe in and you can just apply the facts to your principles. I don't kowtow to any special interests. I don't have to filter my answers based on how a particular group that gave me money will take it, which both of my opponents have to do."

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While his opponents have raised upwards of \$3 million each, Maymin is primarily self-financed. That, however, hasn't kept him off the airwaves in the hugely expensive New York media market. One of his ads, "I Approve This Massage," was deemed one of the cycle's most outrageous ads by MSNBC's Tucker Carlson. It is available on the video Web site YouTube, along with comments such as, "the best advertisement in history."

## **Opposition To War**

Much of his campaign is based on his strident opposition to the war in Iraq, which is even more unpopular in Connecticut than it is nationally: Take long-time Sen. Joseph Lieberman's defeat in this year's Democratic primary at the hands of anti-war candidate Ned Lamont.

"I'm the only candidate in the race who would have unconditionally opposed going into Iraq in the first place," he says. "I'm the only one who thinks we should get out. I'm the only one with an exit strategy for getting out."

Specifically, that strategy is setting a date – Maymin likes the poetic symbolism of July 4 next year – for a final pullout. "It will reduce the insurgency and the recruitment ability of terrorists in Iraq. And it will give the Iraqi government the proper motivation to get their affairs in order. Right now, they have free defense and free support from the world's largest military. Why would they jeopardize that?"

Farrell's campaign, however, takes issue with Maymin's characterization of her anti-war credentials (Shays' campaign office did not return calls for comment prior to press time). Spokesman Jan Spiegel says Farrell would have supported the Spratt Amendment, which would have required United Nations authorization prior to military action.

"Going as far back as October of 2002, before the authorization vote was taken, she's on record as opposing the war," Spiegel says. "Diane was out there as an anti-war candidate two years ago. She had no company. There were not a lot of anti-war candidates running two years ago."

"The most important thing is to get our troops home safely," Maymin says. "And setting a deadline and leaving on that deadline sends a message of strength to both our current and future enemies."

## **Mentored By Merton**

Maymin, 31, was born in Moscow and moved as a child with his family to Lynn, Mass., where his father earned a Ph.D. in mathematics at the Massachusetts Institute of Technology and his mother took a job as a computer developer. The future Congressional candidate attended the prestigious Phillips Academy in Andover, Mass., where Maymin says he was the first student to teach a class – advanced computer science. He went on to Harvard University, where he earned degrees in computer science and applied mathematics.

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It was at Harvard that he met Robert Merton – teacher of “the best course I ever took.” The future Nobel Prize winner took him under his wing, picking him for an internship at his hedge fund, and Maymin took a full-time post with the fund after graduation.

That hedge fund, of course, was the now-infamous Long Term Capital Management, which, until Fourth District-based Amaranth Advisors fell apart this year, was the largest hedge fund collapse in history. When trouble hit in 1998, Maymin was at LTCM’s Tokyo office, which he says was “pretty much unaffected, but it was obviously an interesting time.”

The next year, Maymin enrolled in the University of Chicago’s doctoral program in finance. After completing his coursework – his dissertation defense is still pending, and he’s also enrolled in correspondence law school – Maymin moved to Greenwich, where he and his father, Zak Maymin, joined Ellington Management Group, launching and running the equity derivatives desk and statistical arbitrage strategy.

This past July, the father and son team went into business together, founding Maymin Capital Management. Maymin won’t reveal the size of the fund, which trades using a behavioral relative value strategy.

In spite of the pressures of starting and running a hedge fund, as well as taking care of a newborn daughter at home, Maymin was not dissuaded from launching his long-shot bid for the house seat. In fact, he says the birth of his first child in January was a primary motivation to throw his hat in the ring.

“When I was single, or married without kids, I still felt that the government was too big, but I could try to get around those regulations and just live my life,” he explains. “But that’s not the kind of life that I want to pass on to my daughter. I don’t want her to grow up in a world where she has to get permission from a government agency to follow her dreams.”

## **The Fourth**

There is perhaps no constituency in the country that better fits a hedge fund manager candidate than Connecticut’s Fourth Congressional District. Encompassing the southwestern corner of the state, hugging the Long Island Sound from the New York border up to Bridgeport, the Fourth contains such hedge fund hotspots as Greenwich, Stamford, Darien, Norwalk and Westport.

As one might expect from a Libertarian hedge fund manager, Maymin does not look too kindly on proposals to more strictly regulate his business.

“The internet and hedge funds have been the most interesting industries in America over the past 10 years, and it’s because they’ve been the least regulated,” Maymin posits. “The more regulations you get, it is just going to kill the industry. Instead of light-touch, I would say no-touch.”

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He advocates restitution over regulation. “When there is fraud or any other crime committed, you have civil and criminal penalties to get the money back, and you punish those people with jail time.” Regulation, he says dismissively, “forces the 99.9% of people who are doing the right thing anyway and who are doing well by their investors to spend an inordinate amount of time, effort and energy focusing not on doing what’s best for their investors, but on pleasing regulators.”

In addition to being home to the third- or fourth-largest collection of hedge funds on earth, the Fourth is home to an extremely well-educated (nearly 20% hold graduate degrees) and affluent (median income: \$66,598) population. It’s also ground zero in this year’s tightly contested battle for control of the House of Representatives.

The Fourth has been represented by the moderate Republican Shays for nearly two decades. He’s fought off challenges in the past, winning two years ago by a narrow margin, even as Sen. John Kerry defeated President George W. Bush in the district, 52% to 46%. But this year, with an ill wind blowing nationally for Republicans and the war in Iraq extremely unpopular in Connecticut, Shays is one of the most endangered incumbents in the country. The outcome in the Fourth could well determine whether Democrats are able to retake the House.

Seeking to push the Fourth into the blue column is former Westport First Selectwoman Farrell, an advertising executive. In 2004, she came within 12,000 votes of unseating Shays. This year, most pundits rate the race a toss-up. The New York Times, which backed Shays two years ago, gave its endorsement to Farrell this year, while the Connecticut Post, which endorsed Farrell in 2004, has thrown its support to Shays. Polls over the last month have shown small, see-sawing leads: Shays has been up by as much as nine points; the most recent poll, from Reuters and Zogby International, show Farrell up by seven points. Those same polls indicate about one-tenth of the electorate are undecided.

Maymin rejects the results of those polls as “unscientific,” and he has a point: None asked about him by name, in spite of the fact that he participated in all seven debates with Farrell and Shays. And though one pollster told FINalternatives that less than 1% of persons polled said they would vote for a candidate other than those offered by the major parties, Maymin says his internal data shows him winning upwards of 10% of the vote.

And, he adds optimistically, in a three-way race, “all we need is 35% to win.”

### **Calls Opponents Unfit For Office**

While it’s his anti-war rhetoric that has Farrell worried – “Certainly,” Maymin says, “we’re getting a lot of support from Democrats when they see I’m the best candidate to secure America’s national security and get out of Iraq” – some of his other positions won’t play well in much of the Fourth.

To wit, gun control: Maymin has called for both Shays and Farrell to drop out of the race. Why? Their support for gun control makes them ineligible to serve.

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“There are only four requirements for being a Congressperson,” he explains. “Three of them are about who you are: residency, age, citizenship.

“The fourth is about what you do, and that’s the most important one: Will you uphold the Constitution? Both candidates are telling you today that they won’t, so they don’t deserve to even be allowed to run for Congress.”

*Above: Rep. Chris Shays, Phil Maymin and Diane Farrell debate at Congregation B'nai Israel in Bridgeport, Conn., on Oct. 11. Photo courtesy Phil Maymin.*