

**TALKING POINTS FOR ARTHUR LEVITT, JR.
FIDELITY INVESTMENTS CONFERENCE; KEY BISCAYNE, FL
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- Thank you, Don [*Holborn*], for that warm introduction, and let me thank you all for welcoming me.

1. Introduction

- I've been involved in the markets for more than 40 years. Yet I never took an economics class in my life. My introduction began in the early 1960's when I began selling cattle and ranches to wealthy people in need of tax shelters.
 - One of my prospective clients said to me, "Arthur, if you - - as a Brooklyn boy -- can sell cows, chances are you'd be good at selling stock."
 - He told me that his son-in-law, Arthur Carter, was starting a brokerage firm. I met with him and signed on. My partners were Carter, who today owns the *New York Observer*; Roger Berlind, now a successful Broadway producer; and Sandy Weil, the current chairman of Citigroup.
- Since those days selling cattle, I've seen a lot of rough patches. And I believe we'll get through the current one as we've gotten through all the others. But one thing troubles me beyond Enron, beyond Andersen, beyond stock options and stock market bubbles and bad accounting — it's the absence of true leaders from the business community.

- I'm talking about the kind of leadership that instinctively steps forward when it's needed. The kind that puts the public interest above corporate interest or career advantage.
- There are plenty of good and honorable people at the head of American corporations, but there are few recognized by the public as being something more — as being a spokesman or spokeswoman for a set of realistic, intelligent public-spirited values.

II. Precedents of Leadership

- It wasn't always like this. We've relied on such leaders from the business community to help us through difficult economic transitions before.
 - At the end of the century and the end of his term in office, a President addressed Congress and proudly boasted, "There has never been a time in our history when work was so abundant, or when wages have been as high."
 - By the spring of that year, financial panic had set in. By the end of the year, thousands of businesses had gone under and unemployment was surging. Sound familiar?
- I mention this to highlight the optimism of the '90's – the 1890's. The President who said this wasn't Bill Clinton, but Benjamin Harrison. The century that was ending was the 19th, not the 20th.

- More than 100 years separate us from the Panic of 1893, but the similarities are striking. Faced with an economic downturn and the reality that something had to be done to re-tool the economy and society for a rapidly changing time, many business leaders formed powerful lobbies to resist change.
- But there were others who saw that a middle ground had to be found. To make the market work in an industrial age, new rules and new safeguards had to be written.
 - People like Mark Hanna and Edward Filene formed groups like the National Bureau of Economic Research and the Cooperative League. Great philanthropic foundations – like the Russell Sage Foundation and Carnegie Endowment – were formed to research, craft, fund, and lobby for reforms.
- Their commitment to the national interest helped this country through this difficult time of transition – from an agricultural economy to an industrial one; from an isolated nation to a world player.
- Corporate leaders played a similar role during a similarly chaotic time immediately after World War II.
 - A bi-partisan group of corporate executives formed the Committee on Economic Development to offer non-ideological guidance on how the US can make the transition to a peacetime economy.

- Their contributions were invaluable, and the quality of their leadership was such that when President Truman formed a committee to draft a plan to rebuild Europe, five of the nine on the committee were CED trustees.

- This history is instructive for one reason. We are now undergoing a transition in our global economy and geopolitics as great as the one at beginning and middle of the last century.

III. What Is Needed Now

- As we navigate the proper relationships between the public and private sectors in creating a world that is safe from terrorism and suited for market prosperity, the input of responsible business leaders is once again needed – yet the leadership is not there.

- Simply put: the private sector has forgotten its public obligations – to the detriment of both. Special interests block any change that may harm them without any thought as to how this proposal would effect the investing public or the market as a whole – the very market from which they were able to reap such prosperity.
 - EXAMPLE: Accounting industry.

- We need leadership from corporate America that does not just ask for things from the government for the benefit of their particular industry, but that offers to our elected officials insight into how the global economy works, into what is best for it, and that is unafraid to expose and condemn those actions that undermine capitalism itself.
- The private sector's leadership is also the only way that we can avoid over-zealous regulation stifling innovation and impeding the market, and it is the only way that we can restore confidence in the market so that it can realize its full potential.
- First, we need to resolve the conflicts of interest inherent in investment banking research. Simply: Chinese walls don't work. We must fundamentally re-organize our businesses to serve primarily either the investor or the issuer of stocks and bonds, but not both. And hopefully, it will be Wall Street, not Washington, that takes the lead in this.
- Second, we need to clean up executive compensation. There is no doubt that some executives have been paid too much – that is, more than they would if it weren't for boards of directors stacked with their cronies; and if it weren't for quirks in our tax laws that favor certain kinds of stock options over other types of pay.
- Again, change should come from the pressure of the business community. It should become unacceptable for CEO's to show their faces in public if they've received huge, unmerited handouts at the expense of shareholders.

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- But we need more. We need to restore the value of reputation. We need a cultural change that rejects excess and skirting the rules – a culture in which directors and CEO's all put pressure on each other to uphold standards of acceptable behavior.
- When I was coming up, people like Irving Shapiro of Dupont, John Whitehead of Goldman Sachs, and Walter Wriston of Citibank played this role. Where are the leaders now?
- I have a theory. Now, the market wants a superstar CEO that looks tough and efficient above all.
- But now American industry faces a new challenge — and the market demands something else: a restoration of public confidence and trust...not just in corporate America as a whole but also in businessmen and women as part of America's leadership class.
- I believe that in these new times it's extremely important for CEO's and other business leaders to seek out positions of public responsibility and put real time into them – not for networking or society contacts, but for the greater good that benefits us all.
- Business leaders must lift their sights above business, spending part of each week on whatever kind of public-spirited purpose it might be – whether it's conservation, foreign affairs, or health care reform.

- We must demonstrate that we recognize a stake in society progressing on a broad front – not just in the success of our own businesses and investment projects.
- The public and private sectors must work in partnership to tackle the challenges that go to the heart of the integrity and equality of our society.
- And when that happens...when business leaders demonstrate a willingness to serve in -- and really spend time on – important public projects...when business leaders get involved in public debates and take positions that do not have a direct connection to their corporation's self-interest or their own big-money paydays...business leaders will earn the right to make themselves heard on important issues — heard and trusted.
- That will do more, go farther, and be more effective in restoring public confidence in the markets and in the private sector...in buoying our stock markets...and in lifting our economy than virtually any law we can pass, investigation we can lead, or regulation we can write.
- For in the end, only business can save itself – not just for its own sake, but for the sake of all of us.
- Thank you. And I'd be happy to take some questions.