

The Financial Crisis: Causes and Remedies

By Henry Kaufman

President, Henry Kaufman & Company, Inc.

*Keynote address delivered before
The Global Interdependence Center
and Drexel University's LeBow College of Business
26th Annual Monetary and Trade Conference*

Philadelphia, April 18, 2008

The current credit crisis – with its epicenter in the U.S. mortgage market – is global news, a global calamity that might just be the most serious upheaval in American financial markets since the end of the Second World War. As policymakers and market participants scramble to rein in the crisis, proposals for relief, recovery, and reform are circulating widely, including in the platforms of presidential candidates. I have been encouraged to see that a number of these proposals come just a little closer to the kinds of recommendations I have been making in forums such as this for more than a decade.

Nevertheless, much in the recent proposals is lacking. Some address only narrow aspects of the subprime mortgage problem. Others fail to acknowledge longer-term trends in credit and financial markets that have brought us to this point. The Bush Administration's proposals at first blush seem encompassing, but they are complicated and lack focus. I am troubled by their proposal for the Federal Reserve to begin regulating investment banking in parallel with its oversight of commercial banking. To be candid, the Fed itself has contributed largely to the current debacle by failing to properly gauge and contain credit expansion in recent decades, while simultaneously providing only tepid oversight of commercial banking. We should therefore not see it as the ready savior in the current crisis.

More broadly, the Fed has failed to recognize and respond to key structural changes in financial markets. In recent decades, leading financial institutions have been transformed quantitatively and qualitatively. Larger and more diversified than ever, they have evolved into integrated, global enterprises engaged in commercial banking, investment banking, insurance, credit cards, asset management, mutual funds, management consulting, pension funds, and related

activities. They dominate their markets in every leading economy of the world. These new institutions pose special challenges to the financial system and to our national and global economies. We need to understand – and change – how they are managed and how they are regulated.

Today, after I first outline the origins and salient characteristics of the current financial crisis, I will discuss remedies that I believe will be more effective and more enduring than those now in circulation. After being intimately involved with financial markets in various capacities for more than fifty years, I am convinced that we need financial oversight and regulation that is more comprehensive – and more international – than what others have proposed in recent weeks.

THE CURRENT CRISIS IN PERSPECTIVE

Financial crises not only upset financial institutions and markets, they undermine the economy. This is because their role in today's national and global markets is both critical and indispensable. To perform their roles well – to keep the wheels of commerce and industry spinning smoothly – financial institutions must balance their private interests with broader social and fiduciary responsibilities. We entrust them with our savings, short-term and long-term. We rely on them to allocate credit to households, to businesses, and to governments. At the same time they perform their fiduciary responsibilities as custodians of these funds, financial institutions are propelled by an entrepreneurial drive to grow and profit. Sometimes, however, entrepreneurial risk-taking overwhelms the restraint demanded of fiduciary responsibility. When that happens, the result is volatility, economic dislocation, or at worst financial crisis.

The consequences of a severe financial and economic crisis can be far-reaching. It can lead to fundamental shifts in political power and – if long and deep enough – can threaten economic democracy itself. One of the best ways to guard against such upheaval during the current crisis is to understand its unique features clearly, and then – as I will later in this talk – propose suitable remedies.

Financial Crises since World War II

A brief review of the post World War II period helps situate the current crisis in perspective. The first significant financial crisis erupted in 1966, when deposit institutions were drained of deposits because market interest rates rose above the rates that deposit institutions were allowed to pay on savings and time accounts. At the peak of that crisis, the yield on three-month Treasury bills reached 5 5/8 percent, while triple-A rated industrial bonds came to market with a 6 percent yield, a record high for the postwar period. These rates may not seem particularly alarming, given the structural changes between then and now, but at the time they inspired considerable fear and apprehension on Wall Street and beyond. Many wondered: How will our deposit institutions survive in such an environment?

The following decade, a harrowing sequence of financial calamities began with the collapse of the Penn Central Railroad in 1970. The Pennsy was derailed by its excessive short-term borrowing (mainly in the form of commercial paper) coupled with weak earnings. A few

years later, the Hunt brothers succeeded in cornering the silver market, while financing their manipulations with heavy short-term borrowings. Many of their lenders used silver as collateral, which led to a massive sell-off in the silver market when the Hunts exhausted their borrowing capacity. Then there were the oil crises of the early and late 1970s, which set off a crippling round of defaults among key Latin American nations that had borrowed heavily from large money market banks. Because these banks had failed to exercise prudent credit judgment, the financial pressure of the oil shocks plunged debtors and creditors alike into deep trouble.

The 1980s produced its share of financial excesses. The decade's economic boom had been fed in large measure by the liberal lending policies of banks – especially savings and loan associations – and by the massive leveraging of many corporations through junk bond financing. These financial splurges later made it difficult at first to jumpstart the economic recovery in the early 1990s.

As for the 1990s: there were the serious financial strains in several countries in Latin America and Asia. Then, as the decade drew to a close, the financial world was rocked by a financial crisis in Asia, in 1997, followed by the “Ruble” crisis in Russia the following year, topped off in the United States by a major financial debacle that threatened the very survival of key money market institutions. I am referring here, of course, to the dramatic collapse of Long Term Capital Management in late 1998. At the opening of the new century, the “dot.com” meltdown – in which aggressive venture capital firms played a key role – vanquished billions of investment dollars, and high tech stocks have yet to approach their 2000 levels.

Common threads run through this motley collection of financial upheavals: first, an excessive use of credit; second, a discernible lowering of credit standards; and third, heavy reliance on leverage. Each postwar crisis also was preceded by a period of market euphoria. And although each postwar financial crisis inspired some modest regulatory reforms, the overall trend in the last half century has been toward the greater and greater liberalization of financial markets in ways that have tended to tip the balance in favor of irresponsible risk-taking.

THE CURRENT FINANCIAL CRISIS

Irresponsible, unsavory, and in some cases illegal mortgage lending practices surely have played a role in the current credit debacle, but that is only the starting point for understanding what is happening and what to do about it. The current financial crisis is an outgrowth of a set of potent *long-term* structural changes in business and financial markets. We cannot mitigate the present-day crisis unless we recognize the pressures that have been mounting for decades. Stated differently, if we are to cope effectively with the current crisis and prevent similar recurrences, real estate lending reforms and marginal interest rate adjustments alone will not do the job. Rather, we must boldly undertake fundamental reforms.

What, then, makes the current crisis special? First, unlike many previous postwar financial upheavals, which were centered in emerging markets, this one is playing out in markets and institutions situated in the world's leading financial centers, chiefly in the U.S. and Europe. In that way, it is striking at the heart of the global economy rather than damaging its limbs.

Second, the credit instruments implicated in the current crisis are supposedly *tradable*, whereas in the past they often were non-tradable. That difference has compounded the current problem because the predominance of marketable obligations has made the credit crisis more readily *contagious* throughout the global economy. Third, it is more difficult now than during previous credit crises to assess the real magnitude of the problem. This is because in recent years, markets have become increasingly *opaque* rather than more and more transparent, as is widely believed. Much of this opaqueness flows from the fact that our financial system is larger, more complex, and more interconnected than at any time before. The dominance of behemoth, integrated financial giants makes it nearly impossible today to accurately gauge risk exposure.

Fourth, against this backdrop is the troubling fact that those who manage leading financial institutions and markets have seriously lapsed in some significant ways. There are several key players in this story. There are the directors and senior managers of large financial institutions, many of whom have failed repeatedly to implement policies that would assure risk taking within reasonable bounds. There are also the private credit rating agencies that are, it seems to me, overwhelmed by the enormity of their task and might be hobbled by conflicts of interest. Then there are federal financial regulators, who have consistently failed to probe deeply enough to uncover dangerous credit and risk practices. The Federal Reserve – the primary guardian of our financial system – has not appreciated the extent to which profound structural changes in the financial markets have demanded new and different monetary policies and practices. That failure looms large as a contributing factor in the current crisis.

Securitization with Market Opaqueness

Let me elaborate these points. First: growing securitization with market opaqueness rather than market transparency. Opaqueness has been on the rise largely *because of* the explosion of securitization (that is, the conversion of non-marketable assets into marketable obligations) in recent decades. Economic theory suggests that securitized markets operate on the basis of accurate prices and accurate assessments of credit quality, which are readily available to all market participants. Obligations are supposed to be analyzed objectively by credit rating agencies and by those underwriting and trading them. And these mechanisms of information and control supposedly have been strengthened by an array of new credit instruments that mitigate risk taking, most notably financial derivatives. Meanwhile, the securitization revolution has been undergirded by a host of sophisticated new quantitative techniques that, according to those who employ them, can define risk probability with very high levels of precision.

The motive to securitize, while failing to assess risk properly at the same time, is quite powerful. And as those two lines diverged – the scale and scope of securitization, and the willingness and ability of market participants to assess risk properly – securities markets became more and more focused on short-term returns. Financial intermediaries quickly perceived the expansive profits to be gained through securitization. There were opportunities aplenty, ranging from managing the securities of others, to underwriting, distributing, and trading freshly commodified obligations.

Because securitization extended even beyond non-marketable assets such as mortgages and was truly global, the profit possibilities seemed, to many market participants, virtually unlimited. Given these compelling motivations, it is not surprising that securitization propelled credit creation and financial-market transactions to unprecedented heights. And, for nearly a decade, the near mania for securitization provided generous rewards. Until the middle of 2007, U.S. financial profits outstripped those in broader markets. The entrepreneurs of credit creation looked forward to even greater riches.

Shortcomings in Financial Management

Within leading Wall Street firms, the securitization revolution brought a power shift that went largely unnoticed. Throughout the postwar period, of course, the partnerships that traditionally controlled investment firms and other leading financial institutions were supplanted one-by-one by publicly held corporations. The new absentee shareholders lacked the knowledge and analytical skills they needed to truly interrogate their firms' risk strategies. Nor were many stockholders inclined to do so during the heady days of large profit-taking from aggressive credit expansion.

Not surprisingly, the rain-makers within those firms garnered greater and greater prestige, influence, and monetary rewards. The rift between senior managers at the top – responsible for taking a long-term view – and the traders, investment bankers, and managers of proprietary activities in the middle – who were driven by day-to-day performance objectives – grew wider and shifted to the latter. Meanwhile, as financial institutions diversified into new businesses and product lines, their senior managers found it increasingly difficult to keep abreast of the blizzard of risk instruments their firms were investing in and trading. And it was virtually impossible for them to resist the drive to grow and compete for market share against rivals who also were taking on higher levels of risk.

At neither level of management have compensation systems restrained these trends. While top managers theoretically can be removed by their boards, such actions are quite rare. Even when they are deposed, they typically receive generous compensation, as we have seen in some recent highly publicized cases. Middle managers also are handsomely rewarded when terminated, as is typically stipulated in their employment contracts. For these and other reasons, senior managers have been losing control over the risk-taking within their firms; indeed, in many ways they have become its captive. Those in the middle ranks – biased to favor short-term risk-taking, and armed confidently with complicated econometric techniques – have risen in the power structure of financial institutions.

Monetary Policy and the Ironies of Transparency

Those who would turn to the Federal Reserve to supervise and regulate investment banking should consider that the Fed's post-World War II record of regulating commercial banking has left much to be desired. Within the Fed, monetary policy, especially tactics and strategies designed to hold inflation in check, has enjoyed much greater attention and higher status than bank oversight. So while the inflation record has been positive for much of the

postwar period (with the glaring exception of the 1970s), business cycles and credit crunches have been too frequent and too wide, while market speculation and risk-taking have not attracted the kind of Federal Reserve attention they warrant.

Free market advocates like to tout the value of transparency in disciplining markets. And yet, the Fed has done little to increase transparency and accountability among market participants, especially the large integrated conglomerates I have just mentioned. In spite of the proliferation of new credit instruments and rampant securitization, the central bank enacted no new disclosure requirements or other measures to penetrate market opacity. Not surprisingly, market participants took notice of this lapse, and some concocted new ways of camouflaging risk and issuing even more excess credit. It is worth remembering that some of the Special Investment Vehicles (SIVs) central to the recent hemorrhaging in the money market were an off-balance-sheet activity of bank holding companies – and as such were privy to Fed supervision. But the central bankers seemed content to allow SIVs to proliferate as long as the value-at-risk procedure that the holding companies employed seemed to fall within generally accepted norms.

This narrowness in the Fed's oversight also is reflected in the fact that it has focused on mechanical deficiencies in the market rather than on the larger problem of market opacity. Regulators have strived to insure that the burgeoning volume of trades has been cleared promptly and with correct documentation. Although this is worthwhile, by itself this kind of routine policing cannot forestall major credit abuses. By failing to acknowledge and attack risks posed by opaque financial practices, the Fed unwittingly encouraged them to spread.

Meanwhile, hoping to smooth out markets and diminish speculation, the Fed has become much more transparent itself, through clearer posturing and open market pronouncements. Ironically, however, this has served to *encourage* rather than discourage financial excesses. Consider, for example, what has become known among investors as the "Greenspan put." With this approach, monetary officials claim to be agnostic about whether a dangerous credit bubble is inflating in the markets; they step in to act only once the bubble has burst. In this way, the Fed no longer tries to act preemptively, to look beyond the horizon in order to head off a crisis; rather, it engages in aggressive rear-guard action, when the fate of markets has become clear. This kind of reactive intervention condones – even encourages – the excessive growth of credit. And while it is true that a massive infusion of new funds in the wake of a collapse can be a temporary salve, by that time the more fundamental economic, political, and social damage has been done. Clearly, this kind of reactive policy encourages lax market discipline that can lead to meltdowns. More than that, once the Fed intervenes to bolster markets after a collapse, market participants feel encouraged to quickly resume speculative behavior.

The Fed's claims that it cannot discern a credit bubble in the making or, for that matter, in full bloom are implausible at best. Typically, there are ample signs: sharp increases in credit creation and in the level of debt assumed by borrowers with lower quality credit; historically narrow yields spreads between high and low credit quality; rapid increases in derivatives and in secondary market activity; and aggressive expansion programs at financial institutions.

The Federal Reserve needs to be more nimble, not only by being vigilant about impending or real credit bubbles but also when it comes to recognizing key structural changes in financial markets and adjusting its policies accordingly. The tendency of monetary officials to recognize important structural shifts – only *after* markets have already figured out how to compensate – makes regulatory corrective action much more difficult. This happened after

derivatives emerged as a major component in modern finance. By the time the central bank recognized the phenomenon, it had become more difficult to select and put into place effective regulatory measures.

A more fundamental difficulty at the Fed is the ambivalence in its central mission or core philosophy. Because of this ambivalence – evident during the long tenure of former Chairman Alan Greenspan and continuing unabated under his successor, Ben Bernanke – the Fed has sent confusing signals to investors. For decades, Mr. Greenspan has advocated economic libertarianism, a philosophy of political economy that asserts that markets know best and should decide economic winners and losers. Many Americans agree about the many virtues of market competition, and yet when it comes to the losing side of the equation – whether in the form of unemployment or bankruptcy or large investor losses – they are less sanguine. For the Fed, the key dilemma is pending collapse of major financial institutions. For many years now, such firms have been, in the eyes of the Federal Reserve, “too big to fail.”

As I have suggested, leading diversified and integrated financial institutions are vulnerable giants because they possess enormous liabilities while resting on a relatively thin foundation of tangible assets. Their annual reports, 10-K reports, and other currently required reporting tools give us little idea of the real extent of their risk-taking activities. And yet, as custodians of billions of dollars of public savings and investments, they cannot be allowed to fail. The failure of one or more of these financial goliaths would bring untold costs, financially and economically as well as politically and socially, here and abroad.

For this reason, Alan Greenspan and many other economic libertarians apply their philosophy selectively. When monetary ease is the order of the day, they are happy to let markets work their wonders. But when market discipline punishes “too big to fail” institutions guilty of financial excesses, the Federal Reserve comes to the rescue. This month’s Bear Stearns bailout can now take its place alongside the Long Term Capital Management rescue as two of the most prominent examples of Federal Reserve ambivalence in the last decade. What message does these Fed actions send to other leading financial institutions as they try to reconcile their custodial responsibilities with their entrepreneurial drive for profits?

FINANCIAL REFORMS

In the midst of the current financial crisis, the Fed should indeed inject a massive volume of reserves into the markets to stabilize conditions. But monetary easing is not enough, nor will it help prevent similar recurrences. Investors will not regain real confidence in the markets unless and until safeguards are put in place to insure reasonable financial behavior over the longer term. For sustained stability and growth we need deeper reforms.

This should begin with our large financial institutions. Because they invest their own funds while also managing those of their clients and, in many cases, consulting for those same clients, these integrated giants possess great potential conflicts of interest. They are also deeply involved with the new credit instruments, many of which are complex and at times difficult to evaluate. They use complicated models to assess the risk profile of their balance sheets. Their reach into the financial system is so broad and so deep that no central bank is willing to allow

them to fail. But it seems to me that they should be managed and supervised in ways that make them “too good to fail.”

Reforming Oversight and Regulation

How do we get there? To begin with, we need to reform the supervision and regulation of our financial institutions. In the United States, the regulatory system – although system is too strong a word – is largely a historical artifact that predates the 1980s, when financial markets and institutions were much more fragmented and insulated from each other than they have been since. Under our federalist governmental structure, state and federal regulators of various kinds continue to oversee specific activities in the financial markets and institutions. But the destruction of financial silos that once separated brokerage, commercial banking, investment banking, insurance, mutual funds, and other financial businesses has made fragmented state and federal regulation obsolete. Federal Reserve officials now grudgingly admit that their oversight of banks and their holding companies has been far from perfect. In my view the Fed has been lax in exercising this direct responsibility.

What is urgently needed, as I have proposed for decades, is a new kind of institution we can provisionally call the Federal Financial Oversight Authority. This regulatory body would oversee only the largest U.S.-based financial institutions – the giant conglomerates engaged in a broad range of on- and off-balance sheet activities that I noted above. The new authority would monitor and supervise these huge financial conglomerates – assessing the adequacy of their capital, the soundness of their trading practices, and their vulnerability to conflicts of interest as well as other measures of their stability and competitiveness.

I am not proposing comprehensive supervision of most or all financial institutions, but rather of the upper-tier players. In the U.S., for example, the fifteen largest financial institutions have combined assets of \$13 trillion. They dominate many key areas of trading, underwriting, and investment management. Several command leading positions in derivatives and in many of the esoteric financial instruments that have grown so rapidly in the past decade. The current official regulatory and supervisory authorities should remain in place for smaller financial institutions. But assuring the safety and soundness of the dominant firms would go a long way toward assuring the smooth functioning of financial markets, even if smaller institutions occasionally failed.

The new Federal Financial Oversight Authority should be a bipartisan body closely connected with and operating under the auspices of the Federal Reserve. The FFOA chairman also should serve as a voting member of the Federal Open Market Committee in order to bring to bear on the nation’s monetary authorities valuable input about the status and well-being of the nation’s largest private financial institutions. Members of the FFOA should possess recognized expertise across a broad range of financial services. Finally, the chairman of the Federal Reserve Board and the chairman of the FFOA should co-sign an annual report submitted to Congress on the safety and soundness of the financial institutions under their purview.

In light of the increasing globalization of financial institutions, other leading economies throughout the world should be encouraged strongly, as I have advocated for many years, to consider a similar approach. There, too, relatively few institutions would come under supervision if oversight agencies of this kind were introduced in the world’s leading economies. They would be quite effective if they supervised the functions of only the top five to thirty financial

conglomerates in each country, so enormous is the reach of the leading players in their respective economies. That more consolidated and rigorous oversight might be limited to the largest financial institutions in the European Union, in Canada, and in Japan. Moreover, because of the transnational reach of many financial conglomerates, FFOAs would need to cooperate closely with each other. Unified supervision is essential. The Basle Agreements are not encompassing enough to handle the challenge.

Reforming the Management of Financial Institutions

Leading financial institutions also have a key role to play in minimizing irresponsible or reckless market behavior. For too long, boards of directors have been too passive, essentially rubber stamping the actions of managers who possess much more intimate knowledge of operational matters. Outside directors, especially, must rely on the veracity and competency of senior managers as they attempt to assess their institution's performance and risk profile. Senior managers, in turn, are responsible for overseeing a dizzying array of intricate and often arcane risks undertaken by specialized, lower-level personnel working through the firm's wide-flung units. They, too, must rely on the veracity of those below them – the middle managers who, as I discussed, are highly motivated by various incentive formulas to take risks. Little wonder it is easy for gaps in control and accountability to open up between these managerial levels.

One key focus of the new supervisory authority I have proposed should be the training and competence of board members in leading financial corporations. Qualifications should include a better than working knowledge of accounting as well as literacy with quantitative risk analysis techniques and proficiency with information technology. The information stream that reaches directors should be detailed and forthright, not summarized or sanitized for preordained conclusions. Directors need to be educated about transactions with affiliated companies and about transfers of assets and debts to special-purpose entities in order to achieve "off balance sheet" treatment.

New board members should be required to meet with representatives of the official supervisory organization. Through these meetings, new directors should be informed of their responsibilities from the perspective of the supervising authorities. These authorities should also meet periodically with the board to review the results of examinations and to assure that their recommendations are understood and will be followed. Independent directors should have separate, periodic meetings chaired by the designated lead director, with outside legal counsel present. These meetings should be guided by prepared agendas that address critical issues including the firm's risk policies, growth aspirations, and succession planning.

Management compensation in financial institutions, as in many other sectors of the economy, is of course problematic and increasingly controversial. Present-day compensation packages often favor aggressive risk taking with little or no financial penalties when large write-offs and losses have to be absorbed. Instead, managers in leading financial firms should be compensated on the basis of the long-term and sustainable profits. This can be achieved in several ways. Stock option awards should have long maturities. Nor should they be exercisable on termination of employment, but instead years after termination. Contractual cash settlements on employment termination should not be paid on termination; they should be paid out later, and include claw-back arrangements.

Finally, I strongly recommend that the official supervisory organizations be made responsible for issuing credit ratings for the financial institutions under their supervision. I doubt that the private rating agencies can obtain enough information – especially about large, integrated conglomerates – to enable them to render meaningful and timely ratings. The Federal Reserve already rates quite a few of the institutions under its supervision. It is called a “CAMEL rating,” taking the first letters from capital, assets, management, earnings, and liquidity. The new supervisory authority should be charged with a similar task rather than outsourcing the function to private agencies.

*

*

*

The current financial crisis demands a two-pronged response. In the short term, the Fed should take and is taking actions to stabilize the current fragile situation. It has undertaken a massive monetary intervention in the market. It has lowered the discount and Fed funds rate drastically in a short time. It has provided funds to banks on a longer-term repo arrangement. In an unprecedented move, the Federal Reserve also has opened its facilities to investment banking firms. The forced sale of Bear Stearns, brokered by the Fed and the U.S. Treasury, with \$30 billion partial Fed guarantees of some of that firm’s assets, clearly demonstrates that large institutions are “too big to fail.” That undeniable fact, together with the financial assistance the Fed is now giving beyond commercial banking institutions, demonstrates how dramatically the structure of our financial system has changed in recent decades.

For the longer term, meaningful reforms are needed to secure our financial system on stable footing. These should include new guidelines for the financial behavior of private sector institutions as well as an overhaul of the official supervision and regulatory framework of financial markets and institutions. Although essential, these measures will be difficult to accomplish. Many market participants will resist an overhaul, preferring instead to apply a few patches on the current archaic framework. For this reason, we should not expect the supervisory and regulatory agencies themselves to undertake the necessary reforms. Congressional action and Presidential leadership are needed. Let us hope the new Administration that will take office next year will seize the opportunity. If not, we should expect the future to bring more – and even perhaps larger – financial crises like the one that currently plagues global financial markets.

Selected Earlier Writings and Speeches on this subject by Henry Kaufman

“The Need For An Improved System of Financial Regulation,” Statement Before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, DC, July 30, 1984.

“Establishing An Improved Financial System,” Address Before the North American Securities Administration, Inc., Washington, DC, April 18, 1991.

“Fundamental Precepts Guiding Financial Regulation,” Address Before the International Organization of Securities Dealers, XVIIth Annual Conference, London, October 22, 1992.

“The New Financial World: Policy Shortcomings and Remedies,” Remarks Delivered Before the Federal Reserve Bank of Boston 42nd Conference, Chatham, Massachusetts, June 26, 1998.

“The Recent Financial Turmoil: Lessons and Remedies,” Talk Given on the Occasion of the Naming of the Henry Kaufman Management Center at New York University Stern School of Business, October 22, 1998.

“Too Much On Their Plate,” *Financial Times*, February 4, 1999, p. 4.

“Protecting Against the Next Financial Crisis,” An Address Before the National Association of Business Economists, Washington, DC. March 3, 1999.

On Money and Markets: A Wall Street Memoir (New York: McGraw-Hall Companies, 2000).

“If Adam Smith Were Alive Today,” An Address Before the National Association of Business Economists, New York, September 10, 2001.

“The Fallout From Enron: Lessons and Consequences,” An Address Before the Boston Economic Club, Boston, Massachusetts, April 3, 2002.

“The Governance of Financial Institutions,” A Talk Delivered At the SAIS Distinguished Speaker Series, Johns Hopkins University, Washington, DC, October 23, 2003.

“The Paths of Financial Glory,” A Talk Delivered Before a Wall Street Reception hosted by Yeshiva University, March 13, 2007.

“Our Risky New Financial Markets,” *Wall Street Journal*, August 15, 2007, p. A13.

“Who’s Watching the Big Banks,” *Wall Street Journal*, November 13, 2007, p. A13.

“Transparency and the Fed,” *Wall Street Journal*, January 3, 2008, p. A13.

Henry Kaufman & Company, Inc.
590 Madison Avenue
New York, NY 10022
212-758-7100