

CENTER FOR AMERICAN PROGRESS

**TOO BIG TO SAVE?
HOW TO FIX THE U.S. FINANCIAL SYSTEM**

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“TOO BIG TO SAVE? HOW TO FIX THE U.S. FINANCIAL SYSTEM”**

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SARAH ROSEN WARTELL: Good afternoon, everybody. Welcome to the Center for American Progress. My name is Sarah Rosen Wartell, and I am the executive vice president here at the center and it is my great honor to have this terrific program today and to welcome the C-SPAN audience.

We are here to talk about a new book and to use that as a springboard to a discussion about financial and regulatory reform and responses to the financial crisis. And there are copies of the book for sale at the back after the event. There are copies of reviews of the book on the back panel as well, as well as some of the materials that we'll be talking about today.

The book is "Too Big to Save," and it is by Robert Pozen, who is one of our speakers today. And we'll be joined by both Bob and Rob Johnson. So let me just briefly introduce them and then we're going to go right to the program, ask Bob to briefly give an overview of the book, and then we're going to move into what I hope will be a lively chat between them, and then at the end we'll invite the audience to ask questions as well.

So, first of all, Bob Pozen is the chairman of MFS Investment Management, which manages over \$150 billion in assets for individual and institutional investors. He currently is a senior lecturer at Harvard Business School and was chairman of the SEC's advisory committee on improving financial reporting from 2007 to 2008.

In 2001 and '2, Bob served on President Bush's Commission to Strengthen Social Security, and in 2003 he served as a secretary of economic affairs for Massachusetts Governor Mitt Romney. He also somehow manages, in his spare time between running a rather large firm, to comment on matters of all sorts financial with op-eds in almost every major publication that you can think of. We end up talking about everything from health care to capital markets.

So, wide-ranging interests and really a great translator of complicated financial issues to simple, understandable non-experts but with a great deal of sophistication. This isn't the People magazine version of capital markets policy. And so we're very excited to have Bob here and to be able to talk about this book.

To enrich this conversation, we are pleased to have Dr. Robert Johnson, who is the executive director of the Institute for New Economic Thinking, which some of you may have heard was just announced at the end of last year. It's a newly formed research and grant-making organization, formed to develop fresh approaches to economic theory and policy.

I guess I can let Rob describe it, but if the premise is that the existing theory, underlying theory that girded much of our financial policy of market fundamentalism needs to be challenged, what should come in its stead? And they have major resources to invest in building bridges with the academic community and the policy world. It's a very exciting project.

He also currently directs the Financial Markets program at the Roosevelt Institute in New York, and he serves on the United Nations Commissions of Experts on International Monetary Reform, and he was previously a managing director at Soros Fund Management, where he managed global currency, bond and equity portfolio, and one of the few people I know who spent a great deal of time in the public policy realm in all these issues as well, having served as a chief economist at the Senate Banking Committee and senior economist at the U.S. Senate Budget Committee.

So, with that I'm going to just say that I think we're at a kind of interesting moment here with legislation in the House having been passed; the Senate – particularly with the recent announcement by Senator Chris Dodd that this is going to be his focus this year; a lot of attention going to be made – given over the next few months to try to get to a Senate bill wherewith you have, I think, a deeply divided Senate Banking Committee, and there will be some very complicated efforts to try to forge consensus there and then reconcile that with the House bill.

The president has made clear that he believes financial regulatory reform is one of his highest priorities after health care that must happen this year. And the question that I really want to pose to these experts is whether, after we talk a little bit about what they believe the origins of the crisis were and what we need to do about it, whether that process that's ongoing is likely to result in the changes that would help us to prevent it from happening again.

And if it's not perhaps perfect – and rarely do things come out of the legislative process perfect in everyone's eyes – then what can we do to make this a platform upon which we can build? So that's a – we look forward to being able to bring you into that discussion as well at the end.

So, with that, let me introduce – please join me in welcoming Bob Pozen. (Applause.)

ROBERT POZEN: So, I welcome all of you and I thank Sarah and the progressive center for hosting this little discussion group, and I hope it will be very useful. So I'm going to begin with a question to the audience, since I believe in audience participation. The question is, what is people's perception about how often we have a financial crisis in any place in the world?

So, does someone want to say whether we have one every 10 years, every 20 years? Or let's look at it this way: Since World War II, how many financial crises do you think that we've had across the world? Sir, what do you think?

MR. : I would say every 10 years.

MR. POZEN: Every 10 years. Does anyone think that it's more frequent or less frequent? Yes, Miss?

MS. : More.

MR. POZEN: More frequent. More frequent. Okay, well, let's look at some of the numbers here. So, on the left side we have Professor Eichengreen from Berkeley's numbers. He

has a very broad definition of financial crisis and he includes essentially any crisis, whether it be a debt crisis or a banking crisis in any country in the world. And what you can see are two things. One is, there are a lot of crises, and second of all, the frequency of crisis is accelerating.

And the reason why it is accelerating is because of globalization, and therefore these markets are much more correlated. There is lower cost of information. And so, crises can easily build across the world.

Now, on the right side of the screen are Ken Rogoff at Harvard's, his numbers. He has a very narrow definition. He's saying, major banking crisis – so we're taking out all sovereign defaults – major banking crisis in advanced industrial countries. So he's taking out all Latin American issues, et cetera. But even under his numbers, you see we have 22 in that 50-year span.

So with the narrowest definition, we have financial crises roughly once every 2.3 years. So it is clear to me that over the next 10-12 years we are all going to experience at least two major financial crises. We don't know where it's going to be, but unless we do something in terms of regulatory reform and financial reform, this is pretty much coming down the road.

Now, since Sarah has given me a total of eight minutes – (chuckles) – I'm going to give just four main themes here. The first is, what is this concept of too big to fail? We have a certain number of institutions that we say are too big to fail, and I think we would probably have a consensus that institutions like Fannie Mae and Freddie Mac were in that category.

But here the question is, how many financial institutions do you think that the Treasury has put capital into – I'm defining bailout – that the Treasury is putting government capital into? How many in the last 14 months do you think that we've had? Can I have a show of hands? How many – yes, how many?

MR. : (Off mike.)

MR. POZEN: Four. How many, sir?

MR. : Six-hundred.

MR. POZEN: Six-hundred. The number turns out to be 690 – 690. That is the number of institutions which the Treasury has recapitalized. Now, whatever your theory is of too big to fail, I doubt that it comes up to 600 or 690.

So we clearly have a situation where we are basically allowing anyone to yell in a crowded room, “systemic risk,” we give them money. And it's my view that we need to develop an articulate rationale, a limited rationale, and then a much more disciplined process by which we decide when and where we're going to bail out institutions, and also have some system of accountability. Right now over a weekend something happens; lots of people get bailed out.

So that's one of the major themes of my book and one of the themes that I think are really important to financial reform.

Okay, a second theme is boards of directors. I think many people are wondering, how involved is the federal government going to become with things like executive comp? We obviously have Ken Feinberg approving financial comp in particular institutions, and we have the Fed now taking the view that they're going to look to see – to approve or disapprove whether comp is risky or not in essentially 8,000 institutions.

One of the things that the Fed would say is the boards dropped the ball. Why are we doing this and not the boards? This is what a board of directors is supposed to do. It's supposed to set and design compensation and approve it.

Now, what's interesting is, as many of you know, in 2002 after Enron we had Sarbanes-Oxley. We had requirements that most of their directors be independent and that they follow elaborate procedures. The interesting thing is that if you look at a board like Citigroup, they did all that. They were mainly independent directors. They followed all the Sarbanes-Oxley procedures, and they don't seem to have had very good sense of how risky that institution was or what was really happening.

And when we look, we can see three things that I believe account for that. One is these are very large boards. Citigroup's board was usually about 17 or 18 people. When you have that large a board, the psychologists will tell you there is a lot of moral loafing; there's a lot of avoidance of personal responsibility.

Second is, surprisingly, most of the boards of these mega banks had very few financial sophisticated institutions people. In Citigroup there was only one person who had ever worked for a financial institution on the board. Many were distinguished people but they did not have a high degree of financial expertise.

A third thing is they would meet one day every other month, and the question is, in six days a year, can you possibly understand an institution like Citigroup?

So, one of my proposals are, let's have smaller boards, let's have people who are experts, and basically let's have a professional group of directors. That's the main thing they do. If we want to hold management accountable, we have to have a board of directors who spends more time and knows better what's happening. That's not what we have now, at least for those 20 institutions that have more than 100 billion (dollars) in assets. That's what I call mega banks.

A third point is we see various political officials bringing in banks and beating them up and saying, why aren't you loaning more? We've given you more money; how come you're not loaning more? Well, in 2006, before the financial crisis, banks accounted for what percentage of total credit extended? Does somebody want to say? What percentage of credit extended?

How many people think it was 50 percent? How many people think it was more than 50 percent? How many people think it was only 20 percent? Well, it turns out it was 22 percent.

The banks only accounted for 22 percent of credit extended in that year, and the majority of credit in the U.S. is provided by non-bank lenders, credit card companies, auto finance companies, mortgage brokers, and they depend very heavily on loan securitization.

In 2006, we as a country securitized roughly 1.2 trillion (dollars) in loans. This year and last year we are running at about 30 or 40 billion (dollars). Loan securitization is what drives loan volume. That gives the ability of the originators of loans to sell it to the secondary market and have it packaged, and that means they have money to make more loans.

We have a total breakdown in loan securitization. We need to fix that if we are going to get loan volume going and loan volume is critical, in my view, for economic recovery. We can beat up on the banks all we want; we're not going to get a lot more loans unless we fix loan securitization.

Last point. There are lots of bills, as Sarah says, before Congress. The House has a bill and now the Senate has a series of bills, and I believe there will be financial reform this year. There are lots of things that we can say about this, but I think probably, from my point of view, the highest priority is where there have been the biggest gaps.

And a first area is financial derivatives. In 1999 and 2000 there was an expressed decision by the administration and by Congress to exempt all these basically from the commodities laws and from the SEC laws. This turned out to be a very bad decision.

In 1999 there were about \$1 trillion in credit default swaps. By 2006 there were 60 trillion (dollars). And this is essentially unregulated. This needs to be supervised. You can debate exactly how, but clearly letting that sort of market develop unsupervised was too much.

Hedge funds – again, very aggressive, very huge increase in assets, essentially unregulated.

Global insurers. As we saw from AIG, you have four or five very large insurers in the U.S. They're regulated by 50 states. There is no federal regulator. It's very hard to come to grips with those.

And systemic risk. We can argue about what we mean by systemic risk, but clearly the whole system – the whole regulatory system was geared to look at particular institutions in a narrow focus and people were not looking at overall systemic risk.

So I think these are four of the themes that we need to talk about. And I'm going to end there and open it up to more discussion. Thank you very much. (Applause.)

MS. ROSEN WARTELL: Well, one of the things that's particularly notable about the book is that, in contrast to the very high level, there is in each of the chapters a very accessible and well-informed but still simple description of the issue, where the problems emerged, and I think unique in the panoply of crisis post hoc analyses prescriptions. The book probably – I

think at one point I counted; we were somewhere over 142 recommendations, or something of that sort.

And so, if you – obviously Bob didn't have a chance to go through all of them.

MR. POZEN: You will not learn where – (inaudible) – went to college –

MS. ROSEN WARTELL: (Chuckles.)

MR. POZEN: – or other important trivial things.

MS. ROSEN WARTELL: So I encourage people to take a look. There is enough in there for people to agree with large portions of it and to take issue with plenty as well.

So, with that I wanted to ask you, Rob, at the level of framework, do you have general thoughts and reactions to both the presentation and the book?

ROBERT JOHNSON: Sure. First off, I would say that we're in a society now where the notion of too big to fail is synonymous with unfairness, and the notion of expertise whereby you are to defer to the experts because finance is complicated is – let's say that process is sputtering. People do not trust or have faith in the experts, given that the experts had very little to say by way of preventive medicine prescription or even adequate diagnosis.

And I think Bob Pozen has done us all a great favor because in this book, which is very readable and very lucid, he's built a bridge so that we can go through the window and participate in the diagnosis, participate in exploring different possibilities for repair and reform and understand better what happened, and I think helping what you might call repair the hearts of the population and allowing them to engage is quite an important part of the ritual of bringing our society back to a place of consensus.

MR. POZEN: Thank you.

MS. ROSEN WARTELL: One of the things, though, I think that both – as I've talked to you before – of you have focused on – and maybe, Rob, why don't you start with this – the book talks a lot about what the rules in the future ought to be.

You do have prescriptions about how we might change who the regulators are for different functions, but in the sort of spectrum between sort of very radical change from the status quo and kind of leave the boxes as they are and change authorities, I would put you more on the – much closer to the administration's proposal and the House bill, not as much radical change.

Rob, do you want to start maybe by talking a little bit about what you think the goals of that – what are the ground rules, whoever is doing it, and then why – maybe we can talk a little bit about whether you think it matters who's doing it.

MR. POZEN: Sure.

MR. JOHNSON: First of all, as I mentioned, the real eyesore for our society is this notion of too big to fail. So the question, or the challenge becomes, how do we eliminate that possibility? Even Jamie Diamond, the chairman of JP Morgan, has written an op-ed in the Washington Post suggesting that there is no place for too big to fail in our society.

As a result, one has to have credible mechanisms for resolving financial institutions. I break it into three parts, the first of which we might call deterrence. What rules or policies can we put in place, like dilution of stock, firing of managements, mandatory restructuring of the creditors in the event of an insolvent institution, which will show people ahead of time that they will pay a price, somewhat unlike the experience of TARP last fall.

Secondly is the matter of detection. To credibly detect when an institution becomes insolvent, you have to be able to measure what's on its balance sheet. In particular, regulators have to be able to measure it, so that complex and opaque instruments, particularly the complex derivatives that were at the core of this last crisis, have to be simplified.

And in particular, I think derivatives market reforms that Bob pointed out in the regulatory gap slide are vital because until you can measure what assets really trade at – we're not talking about fictitious mark to model of rocket scientists; we're talking about actual transactions – until you can measure that, you can't measure the value of assets and you can't measure capital. And if you don't know what capital you have, you don't know if you're solvent or insolvent. So you've got to be able to detect an insolvency when it arises.

Finally, with regard to resolution, many proposals focus on the question of one isolated institution in trouble, but I think we've seen in this experience we had a whole constellation, a large oligopoly of institutions in trouble together, with the danger that each could cascade into another and amplify the disturbance.

Many people who are officials say, how can we credibly resolve an institution? How can a Treasury secretary come up on deck in the morning with these new-found resolution powers that are in the House bill and actually close an institution? Well, I would argue that that individual who is responsible to society, not to allow spillovers to the real economy, has to be able to come on deck, has to be able to assess the intertwined, the spider web of interconnections between the firm.

And that individual has to also – and this is a dimension perhaps Bob would like to discuss because it's mentioned in his book – we do have to have an international regime. The big firms are international firms, and if you're going to do burden-sharing and restructuring in order to restructure or close a firm, you've got to be able to share the burden around the world because there are creditors in different legal jurisdictions – Switzerland, London and what have you.

So, what I am concerned about in current legislation is that without adequate derivatives reform – and I do not believe what's on the table is adequate – things will be opaque, things will

be complex, and officials will be deterred. They will be induced into continued forbearance, much like we saw with Bank of America and Citicorp in the spring of 2009, rather than to take forceful restructuring.

We won't be able to detect the time at which we would want to do this, and we won't be able to handle things internationally. I think a portion of what must be mandated by whatever regulatory authority is that international agreements akin to the kind of agreements that you have from the World Trade Organization for free trade – there is the old saying, if there is a will, there is a way. But multinational corporations want free trade agreements, and that encroaches upon the sovereignty of the various nations in the name of free trade.

We can encroach upon the sovereignty of many nations to create a harmonized bankruptcy regime so that no country has to endure induced forbearance and too-big-to-fail firms being bailed out over and over again.

MS. ROSEN WARTELL: We'll start with maybe the international and then we can go to discretion and a few other – there are so many topics in there.

MR. POZEN: Well, Rob has raised so many points, but let me talk a little about his three deterrents, monitoring and resolution, and then about the bureaucracy issue versus a functional issue.

So I agree that one of the keys is deterrence, and I think the most important deterrence is to have higher capital requirements and differently designed capital requirements. I think there is the consensus that we should have higher capital requirements, but people don't realize how badly designed the capital requirements are.

We had one international agreement, and people spent 20 years in Basel; they came up with Basel I. Basel I said the capital requirements for a bank, if you have normal loans, standard loans, is 8 percent, but if you have mortgage loans, it's only 4 percent, and if you have mortgage-backed securities that are rated AA, it's 2 percent.

So we had a system of capital that didn't recognize differences between subprime mortgages and good mortgages, so it's probably true that the international agreement, Basel I, is an important factor in causing the crisis because it skewed the incentives.

Now we're on something called Basel II. Basel II says every large bank can set its own capital requirements, and it sets them by doing their own risk analysis with these risk models, and then it goes through an elaborate set of formulas.

Well, I've come to be, I would say, basically opposed to these risk models. If you've even seen them, you can't understand them. If you don't have a Ph.D. from MIT in math, you've got no chance. I doubt whether there is a director in any bank that understands these risk models.

But we know one thing about them: They were wrong. All these geniuses were wrong because they made assumptions like once every hundred years, housing prices will go down in the U.S. Well, if you make that assumption and you put it through a lot of formulas, it looks pretty good for mortgages. The question is, is the assumption reasonable? And I don't think it is.

And the basic idea of all these risk models – and I critique this in chapter four of my book – is that there is a normal distribution curve, and it looks that nice bell curve. The reality is that in many financial markets, it's not a normal distribution curve. So this whole idea of modeling and having capital requirements based on that just seems to me a big mistake.

Now, in terms of monitoring, I agree with what Rob says about valuations. I think it's unfortunate we had a system – we do have a system of fair-value accounting. I would say there has been a huge political backlash. I didn't see anybody complaining when people were marking up their assets, but when they started marking them down, then I saw a lot of complaining.

Now, there are some legitimate questions about truly illiquid assets, and I actually think FASBI has been pretty responsive in setting up certain exceptions, but there is a move in Congress, which was expressed in part in the House bill, to actually overthrow FASBI and the SEC as accounting decision-makers and let that go to some banking council.

And I think that would be a terrible thing because we really have two very different groups. We have investors who want to see, and regulators who should want to see, on a regular basis, what's the valuation?

That doesn't mean just because you market differently that you have to say, okay, for banking purposes you're insolvent. That's a different question. But if we start intentionally giving everyone so many exceptions that we can't tell what these things are valued at, I think we've made a terrible mistake.

Now, just to go to bureaucracies in this, I think some bureaucracies and organizational issues are important and others are not. I think if you took accounting standards out of the SEC and FASBI and put them to the banking agencies, you would clearly have a system that was much more geared to protecting bank solvency than explaining to investors, and I think that would be bad. That's a well-known tension.

However, I'm a little cynical about, you know, the process that led us to the Homeland Security Department, and Senator Dodd had this proposal, we'll take all four banking agencies and merge them into one.

Well, those four banking agencies actually do joint rulemaking, so all the rules are pretty much the same. And there is a little difference in implementation but it would take a huge amount of political effort to consolidate those four agencies, and my concern is that would divert us from the sort of goals that Rob is talking about. People would spend a huge amount of time arguing about that, and that's what really worries me.

So, I think we should be careful not to spend the limited political capital we have on bureaucracies unless they're really important to achieve the functional goals. And I don't think actually it matters whether we have two, three or four banking agencies. We have four now and if we had three or two or seven, I'm not sure it would make that big a difference. So I guess I hope that we're not going to get diverted in that way.

MS. ROSEN WARTELL: One thing that I think from – where there is a place of agreement on the organizational chart, I noticed in the book, is that you are supportive of the idea of creating a consumer financial protection agency, although I think in the book you only limit it to mortgages. And I don't know, Rob, what your thoughts are on that. I think your mike may not be working perfectly.

I wanted to just generally ask you about the notion of these bank regulators, whose primary purpose is to think about the solvency of these institutions and protecting the depositors in those institutions, whether they're likely to be successful in doing the consumer protection functions and whether there is a benefit in taking those financial – those responsibilities and bringing them together. And then I want to ask a little bit also about systemic risk, but let's do those consumer issues first.

MR. JOHNSON: Well, in my book – and I hope you can hear me – I sort of take a middle ground position. Unfortunately, the original proposal for the Consumer Protection Agency was so broad it included every financial instrument in the world pretty much. And I was very concerned that it would just have a lot of overlapping jurisdiction, a lot of conflict.

I mean, for instance, it covered deposits. It covers all savings programs. Well, why do we need – you know, the banking agencies are going into the banks and presumably they're looking at deposits, and they ought to look at them in connection with assets. And so, I just couldn't understand why we'd want to be that broad.

I think, on the other hand, there are certain areas – mortgages is a good example – where we've seen that the agencies haven't done a very good job and where we've thrown a lot to the states. We put in the state licensing of mortgage brokers, and I guess I'm very concerned about not having a strong federal agency in mortgage origination.

I would also say it's not just mortgage origination. I would say for payday loans, for lots of things in which we have mainly non-bank lenders – anything where we have non-bank lenders mainly, that should be in the consumer agency, and in products where we really feel that the banking agencies aren't doing a good job.

I think that probably the most controversial area is credit cards because we've now made all credit card banks national banks. We believe, and I think rightly so, there should be one national regime and we shouldn't have lots of states interfering. And if we're going to have – we've got to have one group set it.

Now, as you know, in the House bill, in the end the compromise was that the Consumer Protection Agency sets rules for credit cards but they're not allowed to examine I think 8,000 of

the 8,200 banks. So I'm not sure this is a sensible compromise because I like to see the people who set the rules actually have responsibility for enforcing them.

So I think that it was unfortunate that it started so broad. Somebody should have – and so what's happened is it's gotten pared back. I notice, for instance, auto financing was taken out, which is a mistake because that's a non-bank lender where we really don't have people involved from the federal banking agencies.

So if we – we need a set of principals, and my principals are, let's concentrate on the non-bank lenders. Let's concentrate on lending facilities which go to low-income people and let's try to minimize overlap between the banking agencies and this agency.

MR. JOHNSON: I think I want to take this up about 10,000 feet.

MS. ROSEN WARTELL: Sure.

MR. JOHNSON: Which is, we have a society that, particularly since the time of Ronald Reagan, tends to think that the government is the problem rather than the solution. Prior to that, what we'll call the Keynesian era, many people felt that the government was the solution and the market was the problem.

We're now in a period where there is a tension where nobody believes, particularly after watching the bailouts, that the government is the solution but nobody is very romantic about unfettered free markets anymore either.

And in this pragmatic void that we must now address, I do think we have to affirm that there is a social purpose in financial regulation. Otherwise, we will be just chafing at a kind of – at an unconscious higher altitude. We will be chafing about whether things are – I mean, I agree with you that too much overlap and double scrutiny and so forth is just costliness.

On the other hand, people will argue that any interference or intrusion or rules is costly and unnecessary, and I think we have to move beyond that as a society, that the scale and scope of the crisis we've just experienced, and the frequency of the crisis that you showed in your charts, suggests that financial markets more than any other, where the vicissitudes of – how do you say – the volatility and the vicissitudes of shifting expectations and so forth make for a domain where regulation is warranted. And with that philosophical agreement as a society, then the particulars become much less contentious.

MR. POZEN: Yeah, I should make clear that what I'm talking about is when there are two agencies, both of which have jurisdiction over the same financial product, that's what my concern is. I agree that in almost all of these areas there should be someone with federal regulatory power, and I'm very concerned that if we leave mortgage brokers to every state through licensing, we'll get some states that will do a good job and many states that won't.

MR. JOHNSON: Some people are concerned with regard to credit cards that if the bank regulators are in charge, that they're actually regulating for the banks rather than for the

consumers. And so what I'll call the Elizabeth Warren agenda being somewhat broader with the Consumer Financial Protection Agency –

MR. POZEN: I think credit cards – and I've talked to Elizabeth, who I very much respect, and I think maybe – these are all national banks now – maybe what we need to do is set up a separate division of the comptroller that's more consumer oriented and let them be the ones who do this, because since they're all national banks and many – or the other possibility is to say, credit cards have to be organized as a separate bank and then have one agency with jurisdiction.

If you have credit cards as a function within a national bank and there's already the comptroller regulating them and then they're mixed with others, that's where you get into complications.

MS. ROSEN WARTELL: I think that in some ways what this conversation has suggested is that there is a tension between whether multiple agencies regulating the same entity for different purposes inevitably creates confusion and difficulty for the institution.

On the other hand, there is a question of institutional culture and whether or not a given institution, which is set up, for example, to think about safety and soundness, is going to be, institution by institution, good at systemic risk, or that is set up to think about prudent financial management is going to be good at thinking about consumer protection.

And I think that sort of functional set of questions – how do you balance between this functional set of questions without creating a kind of bureaucratic nightmare for a regulation for the institutions is what's at heart in the dialogue, and there are lots of possible ways you could end up resolving that here.

Let me just ask you briefly each to talk about systemic risk, and the discussion has been again about the boxes – whether or not the Fed should be the systemic risk regulator while it is also a prudential regulator of some of the largest institutions. Is that beneficial or is that in contrast? How do you think about systemic risk and the role of the federal government and whether it belongs separately or together with this same function?

MR. POZEN: Do you want to go first?

MR. JOHNSON: Sure. First of all, I do think that the Federal Reserve – as I mentioned, people do not have a lot of faith in experts, and the Federal Reserve, which is the place where I started my career – but has always had what you might call a very strong reputation – has had that reputation tarnished in this episode and they have to re-earn the confidence of our society.

And I think that's an unfortunate – we say byproduct of this crisis whereby the Fed was asked to do essentially a backdoor bailout. The Federal Reserve's traditional role has been more focused on monetary policy, and here they essentially became the fiscal agent of the United States in a way that was what you might call revealing that their structure, which is not a purely democratic structure, could be seen to use taxpayers' money to favor financial institutions.

When you talk to people at the Fed, or at the Treasury and others, they say – and perhaps rightfully – what did you want us to do, sit there and watch while the real economy melted down? You want us to teach a few lessons to speculators and traders and watch the economy crash? And the answer is obviously no, but there are ways to handle systemic risk and there are ways.

Handling things as the Federal Reserve system did in the AIG bailout, where the American taxpayer used – money was used through the conduit of AIG to fortify financial institutions, some of which are foreign and not under the literal protective umbrella of the United States, to manage systemic stability was a tremendous abuse of American taxpayers. Because in the AIG bailout, had they bankrupted AIG and marked down all of the exposures to those counterparties, and then the American people had put up exactly the same amount of money in recapitalizing all those firms, the American people would have owned stock in this recovery and they would have owned a piece of these firms that are all doing very well again.

I think the thing that disturbs me most about what people in the regulatory world are saying, and particularly in the Fed, is if they say to you, “what did you want us to do, sit and watch the ship go down,” they are making the case that the real economy is affected by the spillovers from the financial system, and that’s what systemic risk’s essence is. If they’re willing to make that case, they have to make the case for strong prior restraint on those financial institutions restricting their activities, just like you make the case for restricting polluters from the side effects – what they call the externalities and spillovers – that affect the quality of our environment.

And when I look at the systemic risk debate right now, I feel like the Fed is defensive and the Treasury is defensive about what did happen and we need to open up what happened at AIG, not unlike Partnoy, Black and Eliot Spitzer said in their op-ed just before the end of the year – we need to open that up and examine it and make sure the legislation we’re trying to pass and the regulatory reforms we’re doing actually cure the disease that was revealed by the AIG episode.

MR. POZEN: Let me comment on a few points. First of all, on the AIG, I absolutely agree. It was \$62 billion handed out covertly, essentially, and \$40 billion went to non-U.S. institutions, and all of these people had essentially made a mistake. They had chosen the wrong counterparty. These are the most sophisticated financial institutions in the world and they all got 100 cents on the dollar, and if we don’t make them take any penalty for making a bad judgment about counterparty risk, then we don’t have anything in risk management. It’s all for naught.

The second thing – and I actually calculate this in chapter seven of the book – is how much exposure did the Fed have? And it turns out the number, unbelievably, was \$7 trillion. I mean, remember, Congress only appropriated \$700 billion, but then what Treasury would do is, they’d give \$100 billion to a program and then the Fed would lend out \$1 trillion! And the Treasury would sort of act as the first loss. Well, this is why the Fed’s reputation has suffered, because it’s allowed itself to be levered up by the Treasury and get into these programs.

And so I think that the political pressure that’s on the Fed now is really very understandable, but the Fed ought to get back to its role as a monetary authority, and if it doesn’t

get back to it, we're going to have more people like Ron Paul writing books called "Abolish the Fed" (sic). And that's not a good thing for the Fed. To talk, just for a brief moment, about systemic risk, the real problem is not who was going to do it, but what do we mean by systemic risk?

It's easy for everyone to say, "okay, now we're going to be focusing on systemic risk." Well, what exactly are we going to do? We know that the nature of most bubbles are, after the fact, we're very brilliant about it, but during the process, we're not so brilliant. And you know, some people, who – look, in 2004, Bob Shiller at Yale, who wrote the forward to my book, he said the housing market was out of control. He showed you all the numbers. But you know something? People didn't listen and many people made money between 2004 and 2006.

So I guess I try to say, well, what are the things that have historically led to financial crisis? And if you go through all of the history, there are four things that, to me, are ones that we should focus on if we're going to look at systemic risk that's likely to become a financial crisis. The first is a real estate boom, especially a bubble that's financed by money from outside of a country. That characteristically leads to a financial crisis sooner or later. It was not just the U.S.; we saw that in Ireland and Spain.

Second of all, high leverage. The SEC made a terrible decision in 2004 to let the five big investment banks go from a 15-to-1 leverage to a 30-to-1 leverage, and we really paid for that. The third thing is, when we have a new product – and we have lots of good new products – that become very huge very quickly without regulation – that's essentially credit default swaps. And I think those are three of the things that do it.

And the fourth is a mismatch between assets and liabilities. If we have long assets and short liabilities, there's a mismatch. That's what happened in the S&L crisis and that's what happened in a lot of these mortgage-backed securities. The issuers of these securities had mortgages – 15-year mortgages, 30-year mortgages – and many of them issued 60-day commercial paper that had to be rolled over and rolled over. So that's what makes you very vulnerable to a liquidity crisis.

So I'd like to see a lot more discussion about whether these are the right four factors or we have more factors, and less discussion about what the bureaucracies are going to be, about what agency is going to look at this.

MS. ROSEN WARTELL: Do you want to mention –

MR. JOHNSON: Yeah, once again, with regard to systemic risk, we're not in a situation where you're resolving one failed financial institution. As you were in the throes of the period around Bear Stearns or up to the Lehman episode, if you walked into the CFO's office of any of the nine or 10 big money center institutions – investment banks and banks at that time – and you asked them, "are you solvent?"

And honestly, first of all, with the complexity of the balance sheet, they may not have known – probably didn't. But secondly, if you asked them, "are you solvent," and they gave you

an honest answer, the honest answer was, “it depends on the eight other guys.” And we had a situation, which I think calls for something akin to a bank holiday, where you close them all, you measure them all, you recapitalize them in parallel. And instead what we had was a process, after Bear Stearns, where the politically strong can get to the back of the bus.

And then you do Bear Stearns and then you wipe out a couple of others and you recapitalize others, and the politically strong at the back of the bus, after you resolve the other seven, can look at you and say, yeah, of course we’re solvent. And what ended up happening was, there was a horrible microeconomic violence where the politically strong get to the back of the bus and their management stock options and their stockholders are preserved because you’ve sacrificed the people at the front of the bus.

Now, what’s the problem with that system? The problem with that system is, once you identify that you’re in a crisis, the politically strong have tremendous incentive to delay resolution, so the depth and the duration of the mounting of the crisis and the spillovers and consequences goes on and on before you’ve sequentially resolved everybody, because the politically strong can resist being resolved.

And we need, in this ethic of governance of the financial system, the ability to bring everybody in, in parallel, look at them all – this is not unlike what the Reconstruction Finance Corporation did in the ’30s, or what Franklin Roosevelt ordered, and we need to reassert that society is in charge of the financial markets and they’re a means to an end, rather than the dominant political entity.

MS. ROSEN WARTELL: I want to have us spend just a couple minutes on housing finance. You spend the first, probably, 25 percent of the book on the mortgage markets and securitization process and the GSEs – Fannie Mae and Freddie Mac – and the role that they played in the crisis, because in many ways, they were what started the unraveling. So it logically made sense in the book. We really haven’t gotten to much of that in this discussion so far.

Here at the center, we have convened a mortgage finance working group, and we’re spending a lot of time thinking about what comes next in the financial system as we try to disentangle the federal role, which is essentially now supporting almost 90 percent of the housing finance system. We could talk a lot about the diagnosis of how that went, but I want to talk particularly about the future, because you argue we won’t have mortgage lending or many other kinds of lending unless we figure out the securitization process.

And in particular, you’ve talked about this mismatch between short term and long term. Thirty-year fixed-rate finance is a core concept in the United States. It’s relatively unique. There are only a few other systems – covered bonds and others – that Danish model – that have been able to produce longer-term finance. And the ability to know what your obligation is going to be over time makes housing a more stable investment for individuals and makes it available to more people.

Do you think a more – if, as you recommend, that GSEs are somewhat unwound and much of that market resumes – is managed largely by the private sector – that we’ll be able to

retain a 30-year fixed-rate finance? And is that a necessary component for, sort of, American homeownership?

MR. POZEN: Well, I think one thing that's helpful to do is look at Canada. Canada has a pretty good home mortgage market, and they didn't have our problems. And there are two things that are characteristic. One is, people actually made down payments. They had 10- or 20-percent down payments.

And when you go to Canada and you tell them about all the things that happened in the U.S., they shake their heads because even now, FHA has, what, a 3.5-percent down payment and you can reimburse yourself. Yeah, it's financeable. So it's good to have down payments. And if people really can't afford a down payment of 5 percent or 10 percent, you know, we want people to own houses, but maybe we're going too far.

The second thing is, they don't give, in Canada, a tax deduction for all mortgage interest. And I'm in favor of a tax deduction for your primary residence, up to a certain point, but we give a tax deduction for everything. You get a vacation home mortgage; we give it to you – a home equity loan. And we say what happened to the personal savings rate in the U.S.? Well, home equity loans made it negative, because people took so much money out.

So I think we have gone overboard in encouraging homeownership. And I think that we really need to, sort of, realize that we're sort of implicitly subsidizing that in a very substantial way, and while homeownership is a good thing, we've gone too far. Now, that does lead me to the view that, to me – there are lots of people who have made lots of critiques of Fannie and Freddie – but to me, the most difficult problem is that there is an implicit subsidy of the housing market in Fannie and Freddie, and it's very hard to calculate and very hard to find. People have lots of debates. I give some of the studies.

But some of that subsidy – a lot of that subsidy – is going to the middle class, or perhaps, in some jurisdictions, up to \$700,000 mortgages. Well, my view is, as a government, we need to be subsidizing the low-income family housing, and that, that's most efficiently done by subsidizing them directly. And then, as the middle class and higher housing, I'm okay with letting the private market operate.

And if the result of that is that in the middle class and upper-class markets, you can only have 15-year mortgages and not 30, my view is, well, that's what the market tolerates. That's okay because we shouldn't be using government resources to subsidize \$500,000 mortgages and \$700,000 mortgages. And that's just a strong view.

And then in terms of people who really do need the government subsidy, I'd like to see it done as directly as possible and as efficiently as possible. And my concern is, when you mix all these things together – you're trying to do the low income and the high income and you have an implicit subsidy – then we end up not knowing what exactly is happening.

MR. WARTELL: Do you want to –

MR. JOHNSON: I'm losing my microphone so I have to hold it here. What I think is tricky right now is that people do experience a subsidy, and taking away the subsidy when the housing market is very fragile is a timing problem.

MR. POZEN: I agree with that. This is probably not the time to do it, this year.

MR. JOHNSON: So I think we need concrete plans about what we want in the longer term, but not to be implemented in a shocking or unanticipated or abrupt manner. And I think the – what you might say the goal of housing, as a social goal, even a non-economic goal, and using housing subsidies as a means to an end, is worth arguing and worth discussing. I tend to concur with your perspective that upper-middle-class and upper-class subsidies probably wouldn't be one of my social goals.

But let me also add, here, I think the most profound statement you made in your opening statement – and it's the challenge in your book that I think is really most important – is this notion that it's the securitization markets that have collapsed and cut off the flow of credit much more than the banks. And we come, as a society, out of the experience of the '30s, where the Roosevelt administration had a very successful experience fortifying the banks.

But the market structure at the onset of this crisis – the banks were the 22 percent, and what we did is we lurched in and we supported the banks. And we supported the 22 percent in a big way. And you know, their portfolios are commingled, so it spilled over a bit. But the architectural challenge in the future is how to put a safety net structure around the incentives of the securitization markets to keep credit flowing. And in no place is that bigger than in the housing market.

MR. POZEN: No, and I agree that it's the irony or anomaly or unfairness that banks became a much smaller part of the market, but that's the ones we bailed out. And when – in many cases, it was other institutions and other sectors that actually were more important to credit. The question is, we had a trucking company come in and say they wanted money from TARP. And they said, hey, listen, if the two biggest trucking companies go down, that will be very bad, so we're too big to fail. And when you think about it, it's not as crazy an argument as you think because the banks are only 22 percent.

What is it that's so special about the banks? My view is, there is a payment processing function of the banks that is special, but that's probably limited to five or six banks. If we were bailing out the banks because we thought they were critical to loan generation, why did no administration – neither the Bush administration nor the Obama administration – require the banks to lend more?

You would think that would have been the logical result. Partly, the answer is complicated in terms of where they were in terms of loss reserves, but partly because, as we've argued, loan securitization is what drives loan volume. So you're right to say, now, in the current market structure we have, it's even more anomalous that all we did is bail out the banks.

MR. JOHNSON: Also not surprising that when banks were allowed to commingle traditional banking activities with securities activities and their securities portfolios got devastated, that they pulled in their horns on traditional bank lending. So one may have exacerbated the other.

MS. ROSEN WARTELL: Let me just put a pin in another topic that's related that we'll probably invite you back to be part of other discussions on. We've talked about the whole securitization process and housing markets in terms of single family. But in fact, also, probably one of the lessons of the crisis is that we have given an adequate policy focus on financing affordable housing for those individuals for whom homeownership is not the appropriate result.

MR. POZEN: And we would be in much better shape if it wasn't an all or nothing – if we had some subsidies for rental housing.

MS. ROSEN WARTELL: That's right. And there's both a subsidy issue and then, also, an access to credit, where over the last few years, the housing GSEs – we talk about them in terms of single family, but in fact, they became almost exclusively the source of credit to finance affordable multi-family housing. And so whatever the redesign of the system is, we need to put access to capital for rental housing to be one of the high priority goals of that system – something that we'll be all talking about here at CAP a lot more.

So with that, I would like to, now, turn to the audience and see if they would like to get into the conversation. Please wait for someone – my colleague with the microphone will come around. I will ask you to identify yourself and you're welcome to make a brief comment, but very brief. Please focus on a question and let us know who you'd like, then, to chat with. So why don't we start over there and then we'll go to Barry.

Q: Yes, hi. My name is Steve Brandt (sp) and my question is for – excuse me, a little nervous here. Mr. Johnson, you talked about the social purpose of financial regulation. That was a great 30,000-foot comment.

And in a world that should have both carrot and stick, I'm thinking of the social purpose of our economic system itself, because if the regulators are going to be socially motivated, how about the culture of what they are regulating being looked at? I mean, Jim Wallis just has a new book out and he's calling for a national dialogue literally on what kind of economics do we have? Why do we have economics?

Management people like Dr. Deming used to say, the purpose of business is to serve people and make money as a result; not to make money whether you're hurting people or helping people. So can you talk about the idea of getting at the culture of not just the regulators but the culture of the organizations being regulated, and get them to look at, maybe, it's literally anti-American to make money by hurting people?

MR. JOHNSON: I guess I would go in two places, the first of which is kind of humorous. Joseph Stiglitz was holding a panel last year and we were talking about the problems

of values and he said, Rob, how do you get these speculators, like, back on the track? And I said, well, they have to discover a belief in the afterlife. (Laughter.)

They have to believe that somebody is going to measure them and there's something that matters, and that they can't escape detection or they can't buy their way in. I think that's the biggest – that's the highest-altitude regulatory comment I'll make today.

MS. ROSEN WARTELL: That's the best regulator we've got, right.

MR. JOHNSON: I'd say that you're really talking about a system and a purpose for a life and for a society, and at some level – not Adam Smith because if you read "The Wealth of Nations," he doesn't talk like this – but some of the modern free-market fundamentalism has tried to act as if – excuse me – if you are in the marketplace, you are therefore virtuous. And I think that that's an oversimplification that people like Jim Wallis have to challenge now. and probably no better place – he's a theologian, so no better place than from the religious and moral teachings from his work and places like Union Theological Seminary.

I know Gary Dorrien has written a brilliant book called "Soul in Society," and I think examining the social gospel movement of the early 20th century and their sense of social purpose can help us – (inaudible) – have the conversation on values. How you pit that against what you might call the hubris of money and particularly large, large kind of money that sports stars and financiers and other things make, I think we're going to have to talk about sociopathology and bring some psychologists to the table, too.

MS. ROSEN WARTELL: We at CAP actually spent a little bit of our time thinking about the origins of the progressive movement in the earlier part of this century and the very earliest part of the last century and there was also a similar discussion about what the purpose of many of our social institutions were and a look empirically at – beginning to apply information and evidence to understand what role they played in changing people's lives. And I think there's much in that progressive tradition that can help inform us again as we begin to think about some of these questions.

All right, so now, Christine, if you would – we had in the front row Barry and then Dana and then we'll keep going back.

Q: Hi, my name is Barry Zigas with Consumer Federation of America. First, thank you both for your cogent and thoughtful comments; really, really impressed. I'm going to take us down quite a far ways here from the last comment –

MS. ROSEN WARTELL: (Chuckles.) That would be hard not to.

Q: The idea that's sort of coming up very quickly with a bullet, if you will, in this arena is, let's restore Glass-Steagall, and I was intrigued that neither one of you addressed that. So could you talk a little bit about Glass-Steagall, the role its repeal might or might not have played, and the role its restoration might or might not play?

MR. POZEN: Well, actually, I've looked at this pretty closely and I know there are people who have this – what I have come to see as sort of a nostalgic view of banking. And I'm afraid I have to come out with a conclusion that it does not make a lot of sense to reinstate Glass-Steagall and that's for three reasons.

One is, if we look at the evidence – Glass-Steagall, the main thing it did allowed banks to get involved with securities underwriting. And there were 25 banks that were put into receivership in 2008 and none of them were significant players in securities underwriting.

And then you look at some – a bank like Citigroup, and it was involved in securities underwriting but if the securities underwriting was the problem, then we should have seen in their portfolios the dregs of the underwritings that they couldn't sell. Instead, what we see is the triple-A mortgage-backed securities that they kept, and then they went out and bought more. So unfortunately, it's a much more fundamental problem; that is, that they always could buy triple-A securities and they bought ones which were poor bets, just poorly done. And I guess they believe their own models.

The second thing is, what we've learned over the last 2 years is that the most fragile institution – financial institution – is a large financial institution that is not a bank because banks have two big advantages in terms of stability. They have access to the Fed's borrowing window and, second of all, more importantly, they have stable retail deposits.

And when you look at Lehman and you look at Bear Stearns, what you saw is the only short-term financing they have are very sophisticated lenders – institutional investors lending them short term – and those guys pulled the plug very soon.

So ironically, if we were to tell Citigroup now, you can't do securities underwriting, we put that in a separate entity, that would be the entity that would be the one most likely to go under. And if it's big, unfortunately until we get a new theory of "too big to fail," we'd probably bail it out.

The third thing is Glass-Steagall never applied outside of the United States. And in a global market now, you just know that it would only take a New York second before people would figure out how to do this in France and Germany and all these other places.

So my solution is twofold: One is, let's not approve mergers allowing people to get bigger – and we surely have done a lot of that. and second of all, if we think the certain activities of banks are really very risky, we ought to have very high capital requirements for those activities, and then people can decide whether to do them or not. But unfortunately, I think the day has passed when we can bring back Glass-Steagall.

MS. ROSEN WARTELL: Glass-Steagall: nostalgia or essential?

MR. JOHNSON: I will strongly say compartmentalization is essential; Glass-Steagall was nostalgia. First of all, at the prodding of Thomas Ferguson, political scientist and economic historian, when I worked for the Senate Banking Committee, I used to go through the hearings

from that era. Glass-Steagall wasn't great public policy; it was designed to cut J.P. Morgan & Company in half when they were the behemoth. And that was industrial combat where other banks were looking to break J.P. Morgan apart.

But more substantively, I think there are two reasons to decompartmentalize. One is when there are conflicts of interest across departments; proprietary trading operation front-runs the customer book. And decompartmentalizing to diminish conflicts of interest and not rely on these kinds of vague notions of Chinese walls is worth of consideration.

And the second is that which you have under the safety net, like deposit insurance protection, access to the discount window, FDIC-guaranteed bonds, shouldn't be used to subsidize some activities on the asset side, like proprietary trading or derivatives market making in the OTC area.

so I would think what we need to do in this architectural exercise is consider what's outside of the safety net, what kind of things can be subsidized, and it's a very tricky problem because if you just say, throw the risky stuff outside of the safety net, then your safety net doesn't protect the real economy anymore.

But this notion – and I know Paul Volcker has been saying, I'm not nostalgic about reinstating Glass-Steagall – similar to the McCain and Cantwell bill – but I am interested in compartmentalization and turning the large ones like you mentioned, the four or five with the payment system, back into public utilities where they're serving the economy and serving society.

MS. ROSEN WARTELL: All right, Dana, and then we'll do one more in the back and then we need to have to close this down.

Q: Thanks to both of you, and a question to both of you, and thanks to the center for holding this important forum.

My apologies not to be at the 30,000-foot mark, and I guess without getting into the weeds either, but somewhere in the middle ground stipulating that you're both – that we agree that there are some very serious flaws to the current American financial regulatory system, that they need to be addressed, and that we're suffering as a result of these flaws. But also that the Senate is battle-weary, has been dealing with health care; that its agenda is full of high priorities, that this set of issues is very complex and that the forces on behalf of the status quo are strong. How do you make the argument? What do you say to the Senate that the time is now to address this, to address this in a serious way and in a comprehensive way? What do you say? Thanks.

MR. JOHNSON: Want me to start?

MR. POZEN: Sure.

MR. JOHNSON: Next November, people are going to relieve you of your job – (laughter) – if you don't exercise your responsibility. There isn't anybody in the United States that don't think we need financial reform.

Now, the question is there are ways, and there are ways. In other words, could we have cosmetic financial reform pretending to address the job and not do so? I think that's a very high likelihood, unfortunately, because of those counter-bailing powers you mentioned.

But almost everybody – when you talk to a senator – I'm not talking about in a public forum but when you talk to him privately, or a member of the House – they know that something's rotten in this process and they know that there's real, major repairs that are needed. But I don't think you have to convince them that we need it; you have to help them see how – one of the big pressures other than lobbying in campaign money to bear, to get, the needed reforms.

MR. POZEN: And I just want to add, I think that Senator Dodd's decision not to run is actually helpful to this process. Before, I think, he was extremely sensitive to how everything he did played in terms of a public image or this; that's actually not particularly helpful to the legislative process.

I think this is sort of like his swan song; he has a chance now to make it happen, and I think he wants to make it happen, and he doesn't have to worry that somebody in Connecticut is going to second-guess and sharp-shoot him on every issue. So I think actually that's a very positive development, which should happen. And if I had to predict, I think exactly what Rob says. This summer, it will pass – or maybe in September.

MS. ROSEN WARTELL: All right. We had one last question. I can't, unfortunately, see – yes, two rows back behind the last question – right there.

Q: Al Dwoskin. And just a question to go to what you opened with – talking about structured finance and the need to restart it. What do both of you suggest as the strategy to get structured finance to come in and play something similar to the role it was playing 2 years ago?

MR. POZEN: Well, I'll give you a quick – there are three points that need to happen. One is, everybody needs to have skin in the game – and that's in the House bill. We can't have originators of a loan selling loans to the secondary market with no risk of loss because they don't have the right incentives to do the due diligence.

Second of all, we had this terribly complex structure of balance sheet where – and you see this in the investor community. You need simple, transparent structures in which people really know what's happening. People don't want to buy this stuff because you had second, third, fourth-tier – you know, CDO squared, CDO cubed. So we need simple structures, much better disclosure. The SEC can do a lot more on that.

The third thing is, you know, a lot of investors depend on credit-rating agencies. And basically, we have a forum-shopping problem. As long as we have bond insurers choosing the credit-rating agencies, investors don't have confidence in that.

There've been a lot of proposals for more disclosure, et cetera, but mine is very simple: Let the SEC appoint an independent person for a day to represent investors and pick the credit-rating agency and then let the market work. But as long as we have the bond issuer picking the credit-rating agency and those structured finance – those deals are worth four or \$500,000 each for the credit-rating agencies – I don't think investors really are going to have confidence.

And in the end, that's the key. Investors don't want to buy this stuff because they can't understand it and they don't have confidence in the credit-rating agency. So you've got to do all those three things. It's not a simple answer.

MS. ROSEN WARTELL: Well, we covered an enormous range of theology – (laughter) – and very detailed policy across a wide range of issues today. Obviously, there are many layers more to go.

Let me encourage you to pick up the book, to go to the new Institute for Economic Thinking in the Roosevelt Institute, and of course, the Center for American Progress at www.americanprogress.org, and also finally, ask you all to join me in thanking our panel. (Applause.)

(END)