

TRANSCRIPT

marketplace  of ideas



featuring

**NEW YORK STATE ATTORNEY GENERAL
ELIOT SPITZER**

On the role of the government in protecting the interests of the people.

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**DRUM
MAJOR**
INSTITUTE FOR PUBLIC
POLICY

**THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY
MARKETPLACE OF IDEAS SERIES**

SPEAKERS:

ELIOT SPITZER

New York State Attorney General

HON. FERNANDO FERRER

President, Drum Major Institute for Public Policy

ARIANNA HUFFINGTON

Columnist and Author, Arianna Online

RICHARD KETCHUM

President and Deputy Chairman, NASDAQ Stock Market, Inc.

DENNIS RIVERA

President, 1199 SEIU

RICHARD STEIER

Editor and Columnist, Chief Leader

TABLE OF CONTENTS

About the Panelists and Speakers	2
Presentation by Attorney General Eliot Spitzer	6
Panel Discussion	12
From the Drum Major Institute for Public Policy	24

ABOUT DMI'S "MARKETPLACE OF IDEAS" SERIES:

Never content just to argue theory, the Drum Major Institute provides a platform for policymakers who have successfully worked for social and economic fairness in our public institutions. For far too long the conservative right has defined the limits of what is "possible" in society and politics. The "Marketplace of Ideas" shows that we can transcend these artificial boundaries: it is possible to be progressive, practical, and effective.

PANELISTS AND SPEAKERS

NEW YORK STATE ATTORNEY GENERAL ELIOT SPITZER

Eliot Spitzer took office in 1999 and through a series of innovative actions has redefined the role of Attorney General. He investigated conflicts of interest by investment banks, illegal trading practices by mutual funds, and bid rigging in the insurance industry. He has recovered billions of dollars for small investors and other consumers in these cases and was the catalyst for industry-wide reforms. He sued Midwest power plants and achieved significant reductions in the emissions that are responsible for acid rain and smog in the Northeast. He exposed the dangerous pharmaceutical company practice of concealing information about the clinical trials of drugs, and helped develop new disclosure policies in the industry.

Again and again, Attorney General Spitzer has acted to stop fraud in the marketplace, to level the playing field for honest businesses, and to help restore confidence in the markets. As a result of these and other actions, he has won national acclaim. He was named “Crusader of the Year” by Time magazine; the “Sheriff of Wall Street” by 60 Minutes; and “The Enforcer” by People magazine. Reader’s Digest magazine called him America’s “Best Public Servant.”

The title that most accurately reflects his role is “the People’s Lawyer.” The cases that mean the most to him are his pioneering labor rights cases to ensure the minimum wage and decent working conditions for immigrants and other low-wage workers in service industries.

He has also been an aggressive advocate for taxpayers, exposing misconduct in state authorities and pressing for greater accountability throughout state government.

Mr. Spitzer began his career in public service as a clerk to U.S. District Court Judge Robert W. Sweet and later served as an Assistant District Attorney in Manhattan under Robert Morgenthau from 1986-1992, rising to become Chief of the Labor Racketeering unit where he successfully prosecuted organized crime and political corruption cases. He also spent time in private practice with Paul Weiss, Rifkind, Wharton and Garrison, and Skadden Arps, Slate, Meagher and Flom. He was also a partner at Constantine & Partners.

HON. FERNANDO FERRER

With over 25 years of innovative, effective and accomplished leadership in New York City Government, Fernando Ferrer is recognized nationally as an architect for revitalizing American cities. During his 14-year tenure as Borough President of The Bronx, Mr. Ferrer designed and oversaw the largest urban rebuilding effort in the country—transforming what was once a national symbol of urban decay into an international model for urban revival. On Mr. Ferrer’s watch, over 66,000 small homes and apartments were built, over 34,000 new jobs were created by hundreds of new businesses and over 2.5 billion dollars were invested in institutional renewal and growth. In 2001, Mr. Ferrer ran an historic campaign for Mayor of New York City, highlighting the issues that affect the lives of each and every New Yorker.

ARIANNA HUFFINGTON

Arianna Huffington is a nationally syndicated columnist and author of 10 books. She is also co-host of “Left, Right & Center,” public radio’s popular political roundtable program. Her weekly liberal commentary is syndicated in newspapers across the country by Tribune Media Services.

Originally from Greece, she moved to England when she was 16 and graduated from Cambridge University with an M.A. in economics. At 21, she became president of the famed debating society, the Cambridge Union. A few of her books include: *The Female Woman, on the changing roles of women*, *Greetings from the Lincoln Bedroom*, *Pigs at the Trough: How Corporate Greed and Political Corruption are Undermining America*, and *Fanatics and Fools: The Game Plan for Winning Back America*, which offers a scathing portrait of our contemporary political landscape.

Huffington has made guest appearances on numerous television shows, including “Charlie Rose,” “Oprah,” “Nightline,” “Real Time with Bill Maher,” “Inside Politics,” “Larry King Live,” “Hardball,” “Good Morning America,” the “Today” show, “Countdown” and “The O’Reilly Factor.”

She serves on several boards that promote community solutions to social problems, including A Place Called Home that works with at-risk children in South Central Los Angeles. She also serves on the Board of Trustees for the Archer School for Girls, the advisory board of the Council on American Politics at George Washington University, and the board of the Reform Institute that works on campaign and election reform issues.

RICHARD KETCHUM

Mr. Ketchum spent 12 years at the National Association of Securities Dealers Inc., (NASD) and Nasdaq. He served as president of Nasdaq for three years and as president of NASD for seven years. Prior to working at the NASD and Nasdaq, Mr. Ketchum was at the Securities and Exchange Commission (SEC) for 14 years, eight of those years as director of the division of Market Regulation.

Mr. Ketchum earned his J.D. from the New York University School of Law in 1975 and his B.A. from Tufts University in 1972. He is a member of the bar in both New York and the District of Columbia.

DENNIS RIVERA

Mr. Rivera is the president of 1199 SEIU New York's Health and Human Service Union, which represents more than 200,000 health care workers in the greater New York City metropolitan area. A leading advocate for improving quality health care, Mr. Rivera and 1199 SEIU are credited with playing a pivotal role in the campaign that led to the enactment of New York's Child Health Plus and Family Health Plus programs which offer affordable health insurance for working parents and children. Mr. Rivera, a trade unionist for more than two decades, currently serves as a member of the board of the Children's Defense Fund and the national AFL-CIO.

RICHARD STEIER

Richard Steier is the editor and columnist of *The Chief-Leader*, a New York City-based civil service newspaper with a circulation of 52,000 that focuses on municipal government and its labor unions. He has held that position since June 1998, and has worked for the paper for 15 years in three different tenures.

Sandwiched in between were four years working at the New York Post as a City Hall reporter and labor columnist, and 20 months spent at WCBS-TV as a field producer and writer. Steier is a contributor on labor issues to *Newsday's* New York City edition, and his work has also appeared in the *New York Observer*, the *New York Times*, the *Boston Globe*, the *Philadelphia Inquirer*, the *Village Voice*, and the *New York Daily News*, among other publications.

He is the co-author, with Len Ragozin and Len Friedman, of "*The Odds Must Be Crazy*," (published by Little Brown in 1997) about a former *Newsweek* researcher (Ragozin) who after being blacklisted for his Communist beliefs during the mid-1950s devoted his energies to developing a system for measuring thoroughbred racehorses' performances that today is considered state of the art among serious horseplayers.

TRANSCRIPT

The transcript from this event has been edited for length and readability.

HON. FERNANDO FERRER: Good morning and welcome to the Harvard Club and our breakfast series featuring progressives who put their values into practice. My name is Fernando Ferrer, and I lead the Drum Major Institute for Public Policy which, with Chelsea Capital and its principle, Stuart Feldman, present this breakfast to you featuring our Attorney General, Eliot Spitzer. He will be joined, after he speaks, by a panel that I think redefines the term 'distinguished panel', moderated by Richard Steier, the editor and columnist of the *Chief-Leader*. Richard has a long history in journalism, especially City Hall-based journalism. He will be joined by nationally syndicated columnist, Arianna Huffington, and Richard Ketchum, the President and Deputy Chairman of the NASDAQ stock market. He'll be joined in a moment by Dennis Rivera, the President of 1199 SEIU, New York's health and hospital workers' union.

I have the pleasure to present to you New York State's 63rd Attorney General. He was recently reelected overwhelmingly and is the leading Democratic office holder in New York State. But what makes him notable nationally is the fact that Eliot Spitzer was, for a year and a half, the de facto chairman of the Securities and Exchange Commission. Not bad for a New York boy. Eliot Spitzer is a progressive who put his values into practice when he saw an uneven and unfair playing field and sought to right it on behalf of not only New York investors but also on behalf of all American investors in the absence of national leadership. He is not only concerned with the health of the stock market and probity of relations that ensue around the stock market, but is also a leader in this state's fight for consumers and a clean environment. I want to thank Eliot Spitzer for being our principal speaker this morning.

PRESENTATION

ATTORNEY GENERAL ELIOT SPITZER: Thank you so much, Freddy. I'm glad you ended with what is, without any question, the one thing people care most about. All the money that they made or lost on Wall Street was nothing compared to the joy for Yankee fans or, frankly, the agony for Mets fans, when they saw on the TV screen at 7 o'clock, two Mondays ago now, that first winning pitch.

The Drum Major Institute really is what we need more of in this city. Which is a think tank dedicated to creativity when it comes to progressive politics. Freddy and I were at an event last week where we were bemoaning the fact that progressives, to a certain extent, have ceded the intellectual battle over the past number of years. There have been too many think tanks with a different perspective—the Cato Institute, the Heritage Foundation, and the Federalist Society and so on. The intellectual ferment has been from the other side of the aisle. And that is not a healthy thing. Long term, ideas do matter. The ideas that matter will be those that work, those that fit into the values we believe in. And the Drum Major Institute is going to be, over the next decade, the foundation for the ideas that hopefully will drive New York and national politics.

The thing we have to remember is that New York has always been the home of progressive politics. It goes back as far as—I'll pick somebody just to show this isn't always a partisan matter—somebody who's a Republican, Teddy Roosevelt. If you go back a hundred years, you have to marvel at the fact that Teddy Roosevelt began legislating, back then, on issues that we understand as themes throughout the subsequent century: protecting the environment, protecting workers, and insuring equity in the marketplace. What he began as a trust buster continues and, indeed, is what we're talking about today. It can be stocks versus the oil cartel. But nonetheless, the notion of a marketplace that works and government needing to articulate the rules that insure that is what Teddy Roosevelt was all about. It's what progressive politics has been all about. It's what the Drum Major Institute is really all about. It is critically important...

What we are really talking about is controlling the marketplace, and the intersection between the individual and the market. It doesn't matter whether it's an individual stock that is being bought, or whether you're buying a gallon of gas at the pump. The question really amounts to where and how government should interact with the marketplace. One of the things we have seen over the past decade, because there's been such dominance from the other side of the aisle, is that they have developed this notion that any government interference is bad, that the marketplace solves all problems. That's simply wrong. I'm not going to argue that as a matter of ideology right now. But I just want to plant the seed that even from a purely rigorous, hardcore, Milton Friedman economic analytic perspective, they're wrong, because they don't understand two critical words: market failure.

Anybody who has studied the market understands that market failure is as much a core concept of understanding the marketplace as a supply and demand curve. And you need to understand where markets break down, where you need rules of the road, which require either transparency, or antitrust enforcement, or any other sort of intervention—such as a cap on pollution. There are values that simply cannot be internalized into the transaction between an individual buyer and an individual seller; the government has to step into that context. I'm not here to argue that we want to have excessive government interference. Of course, the very word 'excessive' suggests you wouldn't want it. But what I am here to argue is that, when we have moved so far to the other end of the spectrum by embracing a Chicago School of Economics world view that simply rejects reflexively any government participation, we have lost touch with the way the economy should work.

And that is, indeed, why I began with Teddy Roosevelt. Teddy Roosevelt understood that the country, back about a hundred years ago, was at what they call an inflection point. We were at a point where the markets were being redefined. We were at a point where the dynamic in the marketplace was shifting. And the only way to insure that the values we believe in would be carried out through the marketplace was through redefining the rules of the market itself. And that's why Teddy Roosevelt has become such an icon. He was willing to understand that shifting dynamic.

We are at another such inflection point, where we have to reconsider what the rules should be. And you know we're there because things have broken down so fundamentally. And when things break down fundamentally, you need to step back and examine whether the rules are working. And I think if you look at the crisis of accountability that we have observed and been part of and suffered through over the past few years, you understand that we experienced a moment where things simply were not working properly.

So let me talk about the crisis of accountability in a moment. But before that, let me list for you the areas where we can support additional government activism because it is warranted. First, in the area of the environment. We have seen an effort on the part of the Bush Administration to simply withdraw from the world of environmental enforcement. But we know, and anybody who's studied economics knows, that pollution is the pure externality. It simply isn't valued in the pricing of a particular commodity, and that is why we have environmental statutes. And the effort on the part of this Administration to impose voluntary behavior simply won't work. And that is why, at an economic level, we need environmental statutes, we need statutes that are enforceable, we need statutes that work, and that is why we are pushing hard for that. We need minimum wage laws. And we need to increase the minimum wage. And I'll give you a number in a minute that I think will drive that point home a bit. The marketplace without minimum wage laws, given that we have a structural unemployment rate of more than 5%, will always drive wages down. And we have said, as a matter of societal values, we want a minimum wage

law that reflects an opportunity for people to lead a decent life. This is why we need to increase our minimum wage.

On that score, I want to give you some numbers—both on minimum wage laws and on corporate accountability—which I think should shock everybody. In 1980, the ratio of the average CEO's salary to the average workers' salary was 42 to 1. 42 to 1. And a lot of people said, "That's too much. That's simply outrageous." Any sort of social welfare function, any notion of social ethics, would say 42 to 1 is an aberrant ratio. That was 1980. By 2001, that ratio had exploded to 411 to 1. Four hundred eleven to 1. These are real numbers. Inflation adjusted. But lest you think there is any doubt about these numbers, Saturday night, last weekend, I was reading—and this is a sad testament to how boring my life is, I was reading a document written by Pete Peterson, chairman of the Conference Board, who is a very clear, sophisticated thinker on these issues of corporate accountability. He cited the same numbers. CEO salaries grew ten times faster than the ordinary worker. Now, does anybody think when you look back at where we are today, that CEOs really deserve that exponential increment over everyday workers? I don't think so. Something was wrong in a corporate structure that would permit that to happen.

Let me just add one other area where the market, itself, demands additional government intervention. That's antitrust enforcement. Everybody knows—and this is where the Chicago School has perhaps been the most wrong—that the drive to monopolization on the part of business is almost one of the laws of nature. It makes sense for a company to try to monopolize. That's fine. But we need to respond in kind, which means we need to insure the very competition that will keep the marketplace functioning. So what I'm here to suggest is that we need to support the rational government intervention that will make the market work, and make the market reflect the values that we believe in. Because if we fail to do that, then we will end up with a society that we simply do not want.

Now, since we're here to talk about accountability and the crisis of accountability, let me explain to you what I think happened, and why, and what my primary objectives were. The first point I want to make to you is that the crisis of accountability was not limited just to the for-profit sector. It wasn't just corporations. It was government, it was non-profits, it was our religious institutions as well. It was a broader-based breakdown in the understanding of those in leadership positions who are supposed to abide by fiduciary obligations. And I don't need to go through the other sectors. Some of them my office deals with all the time, like the not-for-profit sector, where we are the primary regulator. Maybe we worked for a short period of time in the securities market as well, but in the not-for-profit world we are, by statute, the primary regulator. We are always interacting with boards of directors. And I will tell you—there we have had a significant failure as well. But that's a discussion for a different day.

In the for-profit world, what happened was that we created the Imperial CEO. The Imperial CEO was a byproduct of the failure of every other link in the corporate

decision-making chain to do what it was supposed to do. Just as we had the imperial presidency, back in the early '70s with Richard Nixon, because the legislative branch and the judicial branch ceded power improperly to the president, we have recently had the Imperial CEO. Boards of directors, audit committees, outside lawyers, investment bankers and institutional shareholders failed to do what they were supposed to do. When every one of those decision-making entities went to sleep, we had CEOs who were able to write their own checks, which is why CEO compensation went through the roof. And when we look back at it, decision making was not in line with the interest of the shareholders. It was in line with the interest of the CEO. And that is the fundamental problem.

Now, let me run through each of these links in the chain and ask if we have made progress in diagnosing the problem and putting a remedy in place. On boards of directors, too many board members viewed their job as primarily showing up, collecting a paycheck, getting some stock options, playing around with the CEO, but never really delving into the underlying business dynamic or asking the hard questions. I'm painting with a broad brush right now, and there are many board members who were diligent and attentive.

Shame, in my view, is the greatest motivator in the world. Members of boards who are now terrified that their names will appear on the front page of the Times and the Wall Street Journal are now getting more aggressive. The New York Stock Exchange listing standards have begun to make a difference by requiring and mandating the independence of board members. That's healthy. However, I am not persuaded that independent board members will ever know enough to be able to ask the hard questions of a CEO. And many people who've been in a board room, who are really day-to-day aggressive managers, question the value of the so-called independent board member who may be an academic, who may be a CFO of another company, but who doesn't really know the business model and know what is going on deep inside the company of which he or she is a board member. And that degree of intimacy is what you need to be a meaningful board participant. And therefore there is a serious question about whether the paradigm that was created by the New York Stock Exchange standards of pure independence will be sufficient to awaken boards.

If you look at the constituency of the Enron board, perhaps one of the great corporate debacles we've ever seen, the Chairman of the Audit Committee was someone of absolutely impeccable credentials. Nobody doubts his integrity, his intellect, perhaps even his desire to be an aggressive Audit Committee chair. And yet, they missed what was one of the largest frauds in history. So this notion of the independent board member being the answer to our problems is something we have to challenge, and not embrace so totally that we cede boards merely to that one notion.

I have another alternative idea that I know no board will ever adopt. And the few times I've suggested it, they've just burst out laughing. This shows you their animus to the concept. But the idea is that you get the individual with the largest

short position in any stock, and invite him or her into the boardroom once a year. And have that person explain what's wrong with the business. Because there's somebody who has a unique vested interest in explaining to the board why they're wrong. That's what the board needs to hear. Because, really, what we're trying to counteract is almost a sociological problem in the boardroom—the problem of group think. And group think will be challenged most basically by the short seller who wants to say: you've got it totally wrong.

Having said all that, we're making progress when it comes to boards, because they've been shocked so seriously that they're acting in a very different way. Accountants—it's too easy to beat up on the accountants, so I won't do it. Clearly, the accounting industry was way off base over the last decade, and forgot to ask itself the most fundamental question—who is your client? If you don't answer that question the right way, then necessarily your work product is going to be tainted. And this is where the merger of auditing and consulting really plays out. Because that is where it became most apparent that the client had become the CEO or the CFO or the general council, not the board or the shareholders or the public to whom auditors owe a fiduciary duty of accurate statements and transparency. And any lawyer will tell you, what you don't want somebody to know, you put into footnotes. If you feel you have some obligation to put something in there, you hide it in the footnotes. If you look at the ratio of text to footnote in financial statements over the last decade, you will see that ratio changing dramatically. And I think we could maybe come up with a statute: no more than three footnotes in any accounting statement. Or eliminate them. Some judges say, "I don't want to read footnotes. If it's not important enough for text, don't give it to me. And if it's important enough for the document, give it to me straight and not in a footnote." Footnotes where everything was hidden, it didn't work. And that's why our financial statements became completely illusory. They did not give us a straight story.

We need to increase the potential liability for accountants aiding and abetting liability. That would apply not only to lawyers, but also to accountants. I think that would finally shock the system and they would say, "Wait a minute. I've got to pay attention and do what's right." If we do that, I think we will begin to make some headway. Although I think, for the moment, accountants are paying attention.

Attorneys, just to prove that I can accept self-criticism, were as much a part of the problem as accountants. We papered deals we should not have papered. We shammed tax transactions. We knew things that we sat on without revealing them either to the board, which is the ultimate client, or to the regulators, when there was a failure of board activity to correct ongoing impropriety. We need to change the rules under which we operate. We all understand attorney-client privilege is something we need to protect. But we also have to appreciate that where there's evidence of fraud, criminality, or ongoing misrepresentation, we have to make sure that it gets out to the appropriate regulators. Otherwise the system will not be able to right itself.

Let me talk very briefly about the last two groups. One, because it's the one that I dealt with most—investment bankers. The other because it may be the most important. What happened with the investment banking world was that there was a convergence of two trends. The first trend was the policy decision made in Washington to create one-roof financial institutions that could do everything. And that somehow they, the financial institutions, would be able to mediate the conflict of interest inherent in that new structure. They weren't able to do so. The second trend is what we call the democratization of the marketplace. We went through a decade where we encouraged—and this was a wonderful thing—millions and millions of Americans who had never before invested in the stock market—to put their life savings into the market. And so we generated these millions of investors who were relying upon the analytical so-called wisdom that emanated from Wall Street firms. That "wisdom" was not the product of good analytical work but was the product of a desire to generate underwriting fees. And that led to an enormous loss for the investing public. It was also what led to an enormous mis-allocation of capital. Here's where the Chicago School folks should also be very upset. Think of all the capital that went to the companies that were doing the IPOs and the underwriting that should have gone to our core industrial base. But they couldn't compete for it, because all the hype was in the sectors that were generating underwriting. There was a mis-allocation of capital. But it was the convergence of this effort to create one-stop shopping for financial institutions and the democratization of the marketplace that led to a vast reservoir of investors who lost a ton of money based on analytical advice that was lousy. And that is what led us to get in.

Just so it's eminently clear, what my office did—and I'm very proud of it—it's not that we're so brilliant. It's not that we understood this for the first time. We didn't have a eureka moment where we said, wow, look what's on. A lot of people knew it. The folks on Wall Street knew it. The journalists knew it. The journalists were writing about it. But nobody had the guts to do anything about it. We found the emails that were the grist for proving the case were so crass in their nature that when people looked at this they said, "We've got to do something." So by releasing those emails, and getting them out there, and making them part of the public debate, we forced the policymakers to address an issue that they should have addressed a long time ago. My theory was, first get enough out there. Bring one case. Then prove the issue is systemic. And then get structural reform. The only comment I have about emails is that they permitted me to come up with what has been my favorite line of the entire year. When I was speaking at the Institutional Investor Awards Dinner and I looked out at the assembled masses and I said to the analysts, "It's nice to put faces to the emails." And they were none too thrilled at this notion. They all laughed nervously and then looked down at their plates very quickly. But that's for another day.

The trilogy of priorities that I had was structural reform, restitution, and holding individuals accountable. We've accomplished the first. The second will be a byproduct of all the litigation that results based upon the facts that will come out. Some of which have come out and some of which will come out at the time all the final

deals are announced. And the third is an ongoing process of holding individuals culpable. That is the trilogy of priorities that I set out. Because my first priority was to protect small investors. Joe Smith in Utica, or in Harrisburg, Pennsylvania, or Topeka, Kansas who had relied upon the advice of Wall Street firms, advice that the Wall Street firms knew was not good advice. We have made significant progress. The question isn't whether for the moment people's behavior has changed. I think it has, because of the enormous scrutiny of regulators and the press and the public. The question is, how long does it last? Because we all know this is a cyclical process. And when regulators lapse back into behavior that was typical of years past, the media finds other stories that are interesting, and when the public forgets, will things revert? And the best metaphor I can come up with is that this is somewhat akin to driving on the thruway and seeing somebody else get a speeding ticket. Your first reaction is, I'm glad it was them and not me. And then you look at your speedometer and you say, hmmm, I was doing 85 as well. And you slow down to the speed limit. By the time you've gone ten miles, if you're like me, you're probably going a little faster than you should be. So the question is, will the financial markets really change? Will corporate governance change? Not for one month or six months or even a year, during which time everybody is looking, but two years from now, and five years from now? Because that is really the challenge we have if we want to restore the investing public's confidence and restore some more ethics to what has been going on in the marketplace.

Let me stop there and turn it over to this spectacular panel that is much wiser and more experienced than I. But thank you for your patience, and those are my thoughts on this tough issue. Thank you.

PANEL DISCUSSION

RICHARD STEIER: I'm going to introduce each of the panelists. They'll speak for a minute or so in response to the Attorney General's remarks, and then we'll take questions from the audience and try to respond to them as best we can. The first speaker is going to be Arianna Huffington, who's a nationally syndicated columnist and author of nine books. Her latest book, *Pigs at the Trough: How Corporate Greed and Public Corruption are Undermining America*, is a New York Times best seller, and happens to be available outside as you go out. She's going to be followed by Dennis Rivera, who's the president of Local 1199 of the Service Employees International Union, New York's health and human services employees' union, which represents more than 200,000 health care workers in the greater New York City metropolitan area. And our final speaker will be Richard Ketchum, who's President and Deputy Chairman of the NASDAQ Stock Market. Mr. Ketchum previously served as president of the National Association of Securities Dealers, Incorporated, and is the former director of the Division of Market Regulation at

the Securities and Exchange Commission, where he oversaw all US securities markets. Arianna, why don't you start us off?

ARIANNA HUFFINGTON: Thank you very much. First of all, in the interest of full disclosure, let me say that I have a pre-existing relationship with Eliot Spitzer. I have written about him a lot, and in this book, *Pigs at the Trough*, if you go to the index, he is the hero of the book. In a book full of pigs, he's literally the only hero.

But this has been a volatile relationship. And I have to admit, as Eliot knows, that I also wrote a column after the global agreement with Wall Street was announced, which was written like a woman scorned. The title of the column was, "Spitzer Gets Bit by the Gangs of New York." And let me explain that. I believe that we need Eliot Spitzer to remain as aggressive and as incredible at representing the people as he has been through this very tough year and a half. And any time we have something like the global agreement with Wall Street, which does not really hold the perpetrators accountable; it's a huge betrayal, not just of public trust but of his incredible role at the moment. He is the loyal opposition. There is no other loyal opposition. I just worship what he did to Richard Grasso where they displayed this enormous chutzpah, nominating the man whose company was fined \$400,000,000, who was guilty of so many mistakes and so many really fraudulent instances. And nevertheless, this guy was nominated—not just to the board, but to represent the people on the board. And then, I was about to write a column but it was superceded by the events, which were Eliot Spitzer coming in and using really tough language, and making it clear this was not going to pass. And he has that power, which very few people have in this country. And he's willing to use it. That's why I am so tough on him occasionally. Because he's our only hope. So I hope, Eliot, you forgive me.

ATTORNEY GENERAL ELIOT SPITZER: Absolutely.

ARIANNA HUFFINGTON: He did shake my hand, so that's some sign that he's forgiven me. But let me just disagree, then, with two specific things that you said today. One is I don't really think that things have fundamentally changed. And every day, if you just read the Wall Street Journal you know that things have not fundamentally changed. Every day we're confronted with more instances of 'restatements of earnings.' A lot of them have gone on after everything has been exposed. Restatements of earnings, of course, are nothing more than a euphemism for fraudulent accounting. Every day we're confronted with more instances of powerful CEOs getting massive severance packages, even after they drive their companies into the ground.

And also on the question of accountability, one of the three pillars of the trilogy that Eliot mentioned would be his top priorities. There hasn't really been any accountability. And that is really my main problem with the global agreement with Wall Street. Jack Grubman is not being held accountable. Being held accountable is not paying a fine when you can afford it. Being held accountable is being indicted.

Being held accountable is having to admit wrongdoing. I think it is absolutely unacceptable that not a single person in the global agreement has had to admit wrongdoing. It is unacceptable primarily because it shows to the average citizen and the average investor that we are living in what I call in *Pigs at the Trough* an Upstairs-Downstairs society. Where different rules, different laws and different regulations apply to those living upstairs than those living downstairs.

If you go right now to the local supermarket and steal \$200 worth of groceries, I want to hear you tell the policeman who arrests you that you are neither going to confirm nor deny that you did anything wrong. Yet that's what these people say, who've defrauded the public of billions of dollars. These are not victimless crimes; people did not just lose their 401Ks and their pension funds, they lost their dream. They lost their ability to retire, their ability to send their kids to college. And nothing has changed. And people need to be held accountable at the top. And I mean at the top. I mean Sandy Weill, I mean Jack Grubman, Bob Rubin. Rubin has not been held accountable for the fact that he called the Treasury Department to ask that they do not reduce the credit rating of Enron. Which basically meant that he called the Treasury Department, and he called another major credit rating agency to ask them to continue to defraud the public. That's basically what not downgrading the credit rating of Enron would have meant. And yet Bob Rubin is still being treated like an icon. We need to bring down some icons if real accountability is to be done. And also, for the sake of the market, if you want people to return to the market, more things have to change. Otherwise, it's not just Iraq. Trust me. It's not just the war that is preventing the market from really turning around.

So I just beg Eliot Spitzer to stay on top of what's happening. Not to give in. Because right now, the people have very few champions. The forces that are continuing to undermine the public interest are overwhelming. And this is one last thing I want to mention. Eliot did not speak today about the real culprits—the policymakers. There is a true axis of evil between Washington, Wall Street, and corporate America, and we need to address it. Because the truth is that right now there are 20,000 registered lobbyists in Washington, and many of them are working day in, day out, for corporate interests and undermining the public interest. Many of the politicians from both parties are in their pockets. And that's why these accounting changes still have not happened. That's why stock options are not being treated as an expense, and I can go down a long list of reforms that have not happened. The reason is that right now policy makers are making policy based on the people who keep them in power by paying them huge campaign contributions. So as a people's champion, Eliot Spitzer has a huge job. I, for one, am determined to continue to write about him, and hope that I can only continue to write positively about him.

DENNIS RIVERA: I'm part of the chorus of New Yorkers who believe that Attorney General Spitzer is doing a fantastic job. At the same time, I'd like to react to some of the stuff he says. For example, when he talks about rational government intervention. The problem is that those now in positions of power in Washington do not believe

in any government role. What they believe is there should be nothing. Good government is no government at all. So that's part of the problem that we have. And there's a big ideological debate taking place in this country. Unfortunately, those who believe that government should have a role have been on the losing side of these political battles. And that means that as long as we can't organize ourselves politically and define what is rational government intervention, we're going to see more of this. That's one. Two, part of the problem on Wall Street had to do with a lot of people who were, to some degree, profiting from what was happening. For example, I'm Chairman of a pension plan that right now has about six billion dollars. At the beginning of the '90s we had 2.2 billion dollars and we started earning anywhere from 18% to 24% a year in terms of profits on Wall Street. Outside of basically making sure that there would be socially prudent investment by these firms, we were not paying much attention to what was happening in terms of the management practices, because we were basically profiting too. Great dividends meant that we didn't have to have the collective bargaining pressure with management to put more money into pensions. So in that sense, we were happy campers, too. The problem arose when the economic crisis hit, and then we saw all these CEOs profiting and the whole thing collapsed and then it became clear.

One of the questions that was prepared for the panel is what's the appropriate role of government? And I've got to tell you—I was late here this morning, because I just came in from a conversation where they were closing two hospitals—St. Mary's Hospital in Brooklyn and Bayley Seton in Staten Island. So the question is what is the appropriate role of government, not only in the Security and Exchange Commission but in other parts of our society? So in that context, I think that it's important for those who believe that there is an important role for government to basically organize ourselves and get our voices across. Again, I want to add my voice to congratulate Attorney General Spitzer for the great work that he's doing. He's our champion.

RICHARD KETCHUM: Okay. I guess I'm supposed to be the financial guy offering balance. That doesn't necessarily suggest there was a huge line at the door for that place. But I have a great deal of admiration for both Freddy and Eliot, so I'm glad to be here. I may not be the perfect guy from a balance standpoint. I am an ex-regulator and, yes, a Democrat.

I think what Eliot did accomplish, which I would have loved to have seen the SEC lead, was in the finest tradition of securities regulation in the country. To the extent that the securities markets and those regulators have earned American's trust over the years, and to the extent that that's helped to define the US competitively versus the rest of the world, a huge part of that has been the willingness to take aggressive enforcement actions when fraud occurs. And the breadth of that fraud ranging from, sadly, some NASDAQ and New York Stock Exchange members to what occurred at the CEO level and the financial level, was truly shocking. And the action taken there was absolutely necessary. If I take any lesson out of thirty years

of being involved on both the markets and the regulatory side, as I look through the years in a variety of upsettingly similar situations, it is that absolute control corrupts absolutely. You saw it with respect to the M & A activity in the '80s, characterized by Ivan Boesky. You saw it connected with the junk bond activities, characterized by Michael Milkin. You saw it with the "revenge of the nerds" with respect to hedge funds and Long-Term Capital Management. And you certainly saw it here as people believed that gravity no longer applied in a variety of ways. And Eliot's contribution in addressing that was, I think, a signal. It is an important thing, probably for all of us who have been involved in regulation and still care deeply about regulation, to reflect on the ability to step up and try to respond, rather than sweep up the bodies on the other end. It's something that securities regulation has to do a better job of, in identifying those situations where things create momentum for themselves, get out of control. And where—there may be some doubts of this on the panel—where many fundamentally good people get moved into situations where they do things that are fundamentally bad. In that spirit, let me identify two areas that scare me to death. That are not novel with respect to us but, I think, deserve attention. And I'd love to see attention from the standpoint of regulation—rather than having the attention of law enforcement.

The first is soft dollars on the research side of the world. For good and bad reasons, since the 1970s research has essentially been bought in this country with respect to soft dollars. The logic of that, with respect to encouraging research, may or may not have been good. When Congress allowed it in 1975 the extension to virtually every product short of Cadillacs over the years is, I think, profoundly worrisome. And raises concerns about being able to identify value. And, again, where you can't identify value, you start worrying about how it could be used. Interestingly, in Europe, in the United Kingdom, the first steps have been taken to scale back the definition of what research is with respect to soft dollars and the terms with respect to how it's operating. And I think it is certainly something we can benefit from looking at now in the United States, rather than giving Eliot another shot in five years.

The second piece that worries me is financial derivatives, particularly unregulated financial derivatives, outside of the standardized options and futures markets in this country. It is strange that probably the greatest nominal value of transacting in the world is done with respect to entities that are only regulated at the holding company level by bank regulators globally. And many of them have the ability to avoid that altogether simply by not being connected to banks. The level of risk controls in that business is far more sophisticated than it has ever been before. The benefit that business provides, which is where I disagree with Warren Buffet, is very meaningful and important from the standpoint of operating in the political economy today. The lack of controls is an accident waiting to happen. We tried to take the first step on that a long time ago, after the crash in '87, by getting some holding company regulations with respect to broker dealers. It desperately needs to be looked at.

ATTORNEY GENERAL ELIOT SPITZER: Let me just respond very briefly to a couple of the points made. First, Arianna, I agree with not all your adjectives, but most of them. And I agree with your bottom line conclusion that more accountability is always better. One of the articles was about Sandy Weill in particular; he defines, from an enforcement perspective, where we have had to come out based on the record we saw. And I think of the fact that you were thrilled when I stood up very loudly and aggressively and said, "This is the wrong person to be a public voice on the NYSE Board." It was an outrageous decision to nominate him, and they backed down pretty quickly. I think everybody understood that once it saw the light of day. From the flip side—and this I've said publicly, so I can say it even before every document is out there—there is no evidence that we have seen that he knowingly pushed a stock or evaluation of a stock he did not believe in. So individual culpability, for him, simply wasn't there. Which is why there are those two points, one you liked and one you didn't like. But there's a rationale that actually explains why I was brought to each conclusion. Having said that, I agree 100% with your perspective. More accountability, individual accountability, is necessary.

On that score, and I didn't say what I think is probably the best remedy we have here, which is that everybody who goes into the financial services industry should read Tom Wolfe's "Bonfire of the Vanities". Shame, as I say, is better than any number of legislative enactments. Everybody should read and see that Truman McCoy is brought down. There are no masters of the universe, and at the end of the day the game is over for all of them. I think that feeds to your point that it is really accountability, and the social pressures that stem from that that we need. Dennis said something that is critical, and that is, he began to point to the role of institutional shareholders. And the passivity of those who were benefiting from the markets rise through the '90s. I gave a talk to institutional shareholders, and I looked at them and I said, "You guys are the problem. Everybody else doesn't matter if you flex your muscles." Institutional shareholders own America. It's the pension plans who can step up to the plate and say, "We are going to change the way corporate governments operate."

I think there really is a light at the end of this tunnel. I see Bill Thompson here in the audience. Bill, the great comptroller of the city, was getting into that. He was saying, "Wait a minute. We control the pension funds. We are not going to just vote our proxies the way ISS tells us to, or the way the board tells us to." And Dennis, you're going to do the same thing with the pension funds, where you sit on the board and say, "Wait a minute, we have responsibilities that stem from our equity position. This isn't regulation. This is the market working as it should work where there is a responsibility that flows from equity ownership." And I think that is really where, long term, the answers will come. So Dennis, I think you are absolutely correct, that that not only was part of the problem, but is also theoretically part of the answer.

RICHARD STEIER: Before we take audience questions, Eliot, I wanted to ask one question that was sort of touched on by your comments just now. What's the role of local governments, given the impact that the problems have had on their own pension funds, and how that's affected their own budgets? I'm talking about beyond the role of the comptrollers to monitor companies, but in terms of government policy and what they can do to influence federal policy in terms of regulation. What should mayors, governors, other officials be doing to try and uphold the integrity of the fund investments?

ATTORNEY GENERAL ELIOT SPITZER: I think our primary impact is at the state level. The fact of the matter is, we have jurisdiction over the securities markets. If there is a void created by an absence of federal regulation, because those who are ideologically opposed to any regulatory role have gone to the political battles in Washington and hence they're pulling back, we will step into that void. We'll do it in many contexts, not just the financial markets. The environment, labor relations, civil rights, predatory lending, wherever you want to look, you will see that void is being filled by state enforcers. State enforcers who will say, "Wait a minute, there is an affirmative, progressive role to be played here, and if they don't get it in Washington, we will." So I think there is going to be this interplay between the states and the Feds. And until the Feds come back in, as hopefully under Bill Donaldson they'll begin to, we'll be there.

RICHARD STEIER: Thank you. Okay, we'll take a few audience questions.

SANDRA CUNEO: I'm Sandra Cuneo and I'm on the Board of the Drum Major Institute. I just have a question for all of you. You've talked about government regulation, and my question is, when the security laws were passed, they were passed with the concept of crime enforcement by securities lawyers. And, as we know, since 1995 the role of securities lawyers has been cut back. Also there have been a lot of laws passed limiting the liability of, for example, accounting companies and such. I'm just wondering, in '95, many progressives said that what had happened was going to happen because of the lack of private enforcement. I was wondering if you could discuss a little how you see the market changing, because of the change in the securities laws.

DENNIS RIVERA: Well, it hasn't reflected in the net value of our pension fund, to be honest with you. The reality is that we, our pension fund, which I said originally, started in the beginning of the '90s at 2.5 billion bucks, and at one time was over seven and a half billion dollars, and I think we're now close to about six billion. The greatest concern we all have at this moment is, what is going to happen to the contribution rates we have to make to maintain the levels? So right now the employers pay something like \$6.75 for every hundred dollars in wages. And projections are by the next contract negotiation we'll have to go to \$10, which is a dramatic increase. And obviously that takes away from the money we can use for wages in

other areas. So really, we have not seen any evidence in our own little pension fund of how this has translated in terms of higher yields for our pension fund.

ARIANNA HUFFINGTON: What I wanted to say is, what is clear now is that the oversight that is expected by public bodies like the SEC has still not happened. I urge you to read the testimony by Donaldson, the new head of the SEC, in Congress. Because, you see, there is no sense of urgency. He spent more time talking about rearranging the personnel. I expected him to talk about bring in potted plants or doing some redecorating. And there was no sense of how much was at stake in testifying in front of Congress.

And just one quick response to what Eliot said about Citigroup. I beg to disagree about Sandy Weill's role. Again, I urge you to go to all the references to Sandy Weill in *Pigs at the Trough* to find an enormous amount of evidence that he personally knew. He's either incompetent or he had personal knowledge. And he still continues to justify the Citigroup's role in Enron. Which is unbelievable. Because, basically, Citigroup helped Enron hype billions in debt by claiming that it never knew that Enron was using shady transactions to defraud shareholders. It's a bit like the driver of the getaway car proclaiming his innocence because the guy running out of the bank with masks and bags of money never told him they were robbers. Maybe they were just really shy and didn't like having wallets. I mean, Sandy Weill is a very brilliant man and he knew exactly what was going on, and he also knew exactly what was going on when one of his subsidiaries was fined for predatory lending.

So the list of crimes is very long, very unmistakable, and I'm afraid that until he and Citigroup are brought to justice the perception will remain that they're just too big to take on. And that's really a major problem in a democracy.

RICHARD KETCHUM: I strongly agree with you that private rights of actions are critical and have been critical with respect to enforcement of securities laws over the years. I absolutely agree with both you and the Attorney General with respect to the need for the changing standard in regard to accounts. On the facts, the best collection of private law tracking that I know of is done by Stanford University. Private lawsuits have not sunk in the last few years. There was a change in proof standards that addressed, I think, some abuses on the other side, with respect to spurious lawsuits. But there just is no evidence that private lawsuits do not continue to play a role in the United States to enforce securities laws.

RICHARD STEIER: Okay. Let's take one or two more.

MICHAEL REBELL: I'm Michael Rebell, the head of the Campaign for Fiscal Equity. Eliot, you mentioned there's a need for progressive, proactive, work in a number of areas, including civil rights, and I'm going to put you on the spot a little. Because today is the day that your office is filing a brief on behalf of

Governor Pataki that, quite frankly, is taking an outrageous anti-progressive position in holding down educational opportunities for kids in this city and other poor areas in New York State. I know I've heard you talk about separation of powers, and this is a problem that should go to the Legislature. But we all know that the Legislature has done nothing in the last few decades. They will do nothing without this lawsuit. Many legislatures in both parties have told me off the record that if we don't win there's never going to be reform in this area. Quite frankly, from a policy point of view, I'd like to know how you reconcile the wonderful work you do in corporate accountability and all these areas, with the stance that you're taking on behalf of the governor in the CFE case.

ATTORNEY GENERAL ELIOT SPITZER: Anybody who has heard me speak about this has heard me say that my office is clinically schizophrenic. There is a constitutional obligation that I undertook when I took an oath of office to be the lawyer for the state. I get to initiate affirmative work which we do, whether it's the environmental or any of the good stuff I like to talk about, we get to determine what the policy objectives should be and hence what the litigation should be. But, when the state is sued I stand in the shoes of a lawyer with a client, not in a position of an independent decision-maker who can say, I agree with this action the client took, or disagree with it. I must defend the state. That is my legal, sworn obligation. And much as I enjoy and am proud of the affirmative work that we do, I must be true to my oath and take just as seriously my obligation to provide a defense for the state, and let the judiciary determine where the law will go on these facts. Now, I cannot even publicly say I agree or disagree with you or the policies. I am a lawyer in this context. And I think you can draw certain conclusions about my political world view on a whole range of issues, but when it comes to a matter that's under litigation, where I represent the state just as a defense lawyer represents an individual who may be guilty or may be not guilty, I am obligated to assert the defenses for that entity. So I do it, and I do it as a lawyer, and I do it knowing that I take that obligation just as seriously as I have to take my obligation to do the affirmative work where I get to demonstrate to the public what my views are.

DENNIS RIVERA: I just wanted to add on to something that Ms. Huffington said regarding the role of politics and Wall Street. For example, whenever the Democratic Party comes to town and they're going to organize events to get large sums of money, they need a headquarters. The same is true for the Republicans. And basically, the center of raising money is Wall Street. So at this moment we see that, like Ms. Huffington was saying, the elected officials who make the laws in our country, their primary source of income basically comes out of Wall Street. So I don't think that much is going to come out of Washington at this particular moment, particularly when the people who are in government will say that no government intervention is the best thing possible. In that light, I believe that the work that Attorney General Spitzer has done has been monumental in the sense that he, with this huge vacuum that we had, he had the fortitude to go against that trend. I believe

that that's the real problem that we have here. The fact that the political process is greased by the Wall Street community and they don't want any regulation.

AUDIENCE MEMBER: I have a question which is primarily for Eliot. It has to do with the intersection between the nonprofit private sectors in terms of nonprofit organization and their investments. Over the past couple of years, with benefits, pension funds and everybody else, the portfolios of nonprofit organizations have decreased, and many of them have not been able to be nimble and flexible in dealing with their investment. You have a regulatory responsibility as Attorney General. What do you see is your role, and also what is your view, in terms of how you think nonprofits should be safeguarding their endowments? And also, given that the board of directors are doing it as a labor of love, how do you see encouraging the appropriate professional mix on the board of directors?

ATTORNEY GENERAL ELIOT SPITZER: Frankly the governance issues in the not-for-profit context are more difficult than in the for-profit context. Because in the not-for-profit world, you do not have shareholders, you do not have investment banks and, as you just pointed out, board members are there usually either because they were donors or because it's a labor of love. Sometimes the sense of the day to day obligation to participate is driven by a marketplace. So, often we have decision making that goes off track with one individual who is not surrounded by any support structure. We take very seriously our obligation to do at least two things. And it's hard to be in as many places as we want. But one is to educate board members about their obligations, and about the need that they should feel to participate with an executive director who usually runs the organization day to day, to oversee not only the service delivery that is at the core mission of what they do, but also the safeguarding of their assets to bring some degree of increased professionalism to the marshalling of those funds. Usually you're right; the funds are not handled as professionally as they might be. So we were trying to educate.

Second, we bring enforcement actions. And we've needed to, in too many cases, unfortunately, put in place new boards of directors who would take over where a board had simply not been present. Either out of a failure to be there or affirmative wrongdoing, we have needed to put new boards in place in some public examples and very non-public examples, where we have tried to resuscitate not-for-profits.

AUDIENCE MEMBER: I think donors to some extent feel themselves very much as stakeholders and, of course, the constituency. So while legally, technically, they're not shareholders, nonprofit organizations do have—

ATTORNEY GENERAL ELIOT SPITZER: But the interesting thing is that, historically, donors usually write and then step back. And for many years, in fact, that was the view of the law. The law felt that's what should be the case and they were not even given standing to go into court to affirmatively object when the not-for-profit misused the funds. Donors should be more involved. I would like to see them act as shareholders or more affirmatively involved day to day. Historically some clearly do, but most

do not. And that's what we would encourage them to do. So hopefully that will be a shift over time.

CHRIS OWENS: You actually alluded to part of the question earlier. When we talk about the role of states, what affirmative role should the governor play on a political level? We have this type of issue when you have a difference of party between the governor and attorney general, but when you don't necessarily have an alignment of philosophy even if you're in the same party.

ATTORNEY GENERAL ELIOT SPITZER: With respect to the affirmative litigation that we initiate, the governor, not to be too blunt about it, plays no role. This is in the sense that I was elected separately, independently; it's a separate constitutional position. The reason I sought this position and the reason we've had the latitude to do what we have done on the affirmative side, is that we have sole decision making capacity. The lawyers in my office and I decide how we litigate and when we initiate cases. With some minimal exceptions that would implicate pending litigation, which our client agencies have. So on the affirmative side, we get to do what we want. And I try to keep the governor informed, because I think it's a matter of governance. We don't want to be at loggerheads, but we get to initiate and make those decisions. When it comes to the defensive litigation, he is a client.

CHRIS OWENS: Is there legislation you would like to see in place within New York City that the government is either not interested in pursuing or is interested in pursuing, but there are issues?

ATTORNEY GENERAL ELIOT SPITZER: There is a legislation that would be helpful in areas as diverse as the not-for-profit world; including corporate governance, environmental, labor, on down the road. I proposed that legislation. I have found I am more likely to be successful in effectuating policy changes through litigation, given my position, than through encouraging legislation, which is much more the world of Shelly Silver and Joe Bruno and the governor. So while I defer when it comes to that, it is an area where I think I have a lesser impact than I can when it comes to straight litigation.

DENNIS RIVERA: Right now in New York State we have a budget crisis of a million dollar deficit, and we are pushing the governor of the state and the speaker and the majority leader to pass a stock transfer tax. Basically to impose a transaction of, I believe it's a penny a transaction. For every transaction we believe that it will yield something in the neighborhood of three to four billion dollars and help us solve the economic crisis.

RICHARD STEIER: One question, just to close it out. Dennis, what has the union done to become more active in safeguarding against the kind of forces that you suffered over the last few years because of some of the corporate corruption out there?

DENNIS RIVERA: Well, first of all, to the best of my knowledge, I think we had only a million dollars that we lost in Enron. So we have joined lawsuits to recoup some of those earnings. We have been successful in terms of our return. But on the other hand, we have very aggressive folks who are working to pursue legal action, where basically they have defrauded the stockholders.

ARIANNA HUFFINGTON: We all talked a lot about the intersection between politics and Wall Street; right now as we're all getting ready to pay our taxes, and I know Eliot has been involved in that, let us remember just how many corporations and wealthy individuals are not going to pay theirs. And that's a very significant issue that we need to be addressing. Because, again, it goes back to the core issue of fairness and justice in a democracy and all the Drum Major Institute stands for. And I'm about to leave right now to go to Washington to take part in a press conference in support of legislation to outlaw tax shelters. They defraud the taxpayer every year to the tune of seventy billion dollars. At a time when Dennis is talking about an eleven billion dollar shortfall in New York, and California, where I live, it's over thirty billion. When we cannot pay teachers, we cannot pay firefighters. We are allowing corporations to defraud us by these phony tax shelters in Bermuda and the Cayman Islands. And get government contracts on top of it. These are the kind of issues that we need somebody like Eliot Spitzer, who has the megaphone, the courage, and the voice to address on behalf of millions of people who are voiceless. Thank you.

RICHARD STEIER: Thank you to the Attorney General, Eliot Spitzer, as well as our panelists, Richard Ketchum, Dennis Rivera, Arianna Huffington, and I'd like to thank you all for coming.

HON. FERNANDO FERRER: And I would like to thank Richard Steier, the leader of our panel this morning. Thank you, once again, to all. The Drum Major Institute is committed to better competition in the marketplace of ideas, presenting a progressive side to that competition. You saw a good example—in fact, an excellent example—this morning. This was probably one of the most revealing conversations of this nature ever to have taken place in this city, the home of Wall Street and the center of gravity for our world financial markets. I'm grateful to all the participants, to our Attorney General, to Richard Steier, Arianna Huffington, Richard Ketchum and to Dennis Rivera, our board member as well, for enriching not only this conversation but our competition in the marketplace of ideas. Thank you very much for coming.

WHO IS THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY?



The Drum Major Institute for Public Policy is a non-partisan, non-profit organization dedicated to challenging the tired orthodoxies of both the right and the left. The goal: progressive public policy for social and economic fairness. DMI's approach is unwavering: We do not issue reports to see our name in print or hold forums for the sake of mere talk. We seek to change policy by conducting research into overlooked but important social and economic issues, by leveraging our strategic relationships to engage policymakers and opinion leaders in our work and by offering platforms to amplify the ideas of those who are working for social and economic fairness.

Originally called the Drum Major Foundation, DMI was founded by Harry Wachtel, lawyer and advisor to Rev. Dr. Martin Luther King, Jr. during the turbulent years of the civil rights movement. DMI was relaunched in 1999 by New York attorney William Wachtel, Harry's son, Martin Luther King III and Ambassador Andrew Young.

From releasing nationally recognized studies of our increasingly fragile middle class, the relationship between schools and communities and the impact of changing demographics on politics to launching an exciting and frequently-visited Web site that serves as a source of ideas and argument, DMI has demonstrated the strength of its mission and strategy.

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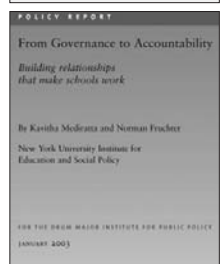
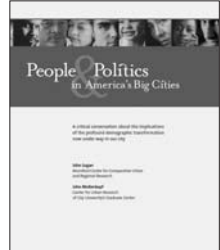
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PEOPLE AND POLITICS IN AMERICA'S BIG CITIES

May 2003 / The changing face of America is creating new challenges and opportunities for America's big cities. This report, by leading demographers John Mollenkopf and John Logan, analyzes the 2001 mayoral and city council elections in New York and Los Angeles to determine the impact of these demographic changes on urban democracy.

FROM GOVERNANCE TO ACCOUNTABILITY: BUILDING RELATIONSHIPS THAT MAKE SCHOOLS WORK

January 2003 / In light of 2002 legislation giving New York City's mayor responsibility for its public school system, this report, by Kavitha Mediratta and Norman Fruchter of the New York University Institute for Education and Social Policy, offers a new perspective on the debate between governance and accountability, ultimately concluding that "developing a new community accountability system that anchors the essential relationships between schools and communities in ongoing efforts to improve schools is one of the most critical tasks before us."





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