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Rebuilding Accountability in the Boardroom

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REBUILDING ACCOUNTABILITY IN THE BOARDROOM

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Thank you, Rebecca. Thank you, Dean (Pagan) and the university, the Journal. I'd like to congratulate, as well, the team -- the Journal, who put this together. I was impressed at how serious they were; not only in organizing the speakers and the program and all, but making sure it would be relevant to the overturned Enron and WorldCom and Tyco, and all those companies just so that everybody would be interested in today's talk. So, I'm impressed with the Journal.

This is obviously a topic that has engaged people like very few others in the business world for quite a long time. Those of us who are involved in corporate governance for some time are suddenly -- you know, people actually know what that word means. As late as last November, the New York Times never even used the words "corporate governance" unless it was in quotes or with an explanation as to what it meant. Today, of course, it's front page.

Just as a way of starting, I might just refer to an interesting conference that took place about 18 months ago in Houston. The topic was on ethics in business. Believe it or not, one of the keynote speakers was (Kenneth Blake), the chairman and CEO of the Enron Corporation. One of the things that he said then, we now can look back on and say well, where did he get this from? What he said was, that a chairman -- rather a CEO -- picks the kind of board that he wants; that best suits him for the success of the company.

Isn't that really the issue that we're dealing with today? Is that we have boards -- not just at Enron, but across the United States, and really in many ways across the world -- which have failed in their principle duty of overseeing companies, and making sure that they reach the maximum shareholder value that the management in charge of companies is there to push the company for maximum success within the law, and bearing in mind the important value of the asset of a company.

In fact, we can look back at the collapse of the Asian economy some years ago -- the Asian financial crisis -- which has now been considered to a great extent a corporate government's crisis; a crisis of crummy capitalism. In fact, the United States has a crisis of crummy capitalism that has occurred in fours. Actually, if you look at it right down the line, we think of it really as a pack of dominos. There were watchdogs intermediaries that we expected as investors to serve their duty in making sure the companies were successful. But again, within the law, and like a pack of dominos, each of them fell because in many ways, they were conflicted.

If we think about the brokers who worked for investment banks -- analysts rather -- that worked for investment banks, we think of accounting firms right down the line, starting from the board. We have these conflicts. Now, the good news is that all of this opens up the possibility for change in the United States for reenergizing boardrooms. Because those of us who have worked in this field for many years, know that the United States has been complacent for very long -- for much too long -- in the way in which we operate our corporate government.

My firm, for example, puts out a study once a year called, The Lead Corporate Governance Indicators. We have listed the United States as No. 2, not No. 1 in corporate governance -- No. 2 behind the U.K. Every year until this year, we've gotten criticism from American colleagues who say: We have the best accounting standards in the world; we have the best boards of directors in the world; we have the best disclosures in the world; how could you say that we don't have the best governance in the world?

But the fact is, we haven't. That's now blindingly obvious, where it was not before. The great thing about the United States, as we all know, is that we're very good at going through these huge dirty, explosive scandals, and then acting swiftly to right that problem -- to find and fix it. The fact is, that without those kinds of big explosions -- and sometimes we are perhaps not as good at trying to preempt the problems, as we perhaps should be. So, we're almost pretty much frozen, up until Enron. Now, it's as if everything is possible. Perhaps not everything, but many reforms are possible and many reforms have already been undertaken, and I'd like to talk about a few of those as we go forward.

At the international convention, which is quite extraordinary, you listen to voices in many markets around the world. The Enron, WorldCom and other scandals have made a big impact. I remember speaking with the head of an accounting firm in South Africa. I think it was last winter. And I was asking, "What was your reaction to Enron?" And she said, "Well, my first reaction was I just thought it was hilarious. This great company actually turned out to have been a criminal enterprise."

But her second reaction was a more interesting one. And that was that she was scared. Why was she scared? -- because naturally, Enrons are possible in any market, not just our market. In fact, in our American market they maybe more possible to discover than in many markets where disclosure is less; where there are fewer intermediaries; where the chances of a slip up on the part of fraudulent management might be harder to defect. So, she was scared.

The fact is, that we have seen in market after market, countries going forward and saying we've got to look at our company more often. We've got to look at our state regulation. We've got to look at our intermediaries. We've got to look at our government's practices and see if we can prevent an Enron happening in our country.

What I think this is leading to in a very interest way, which we can talk about, is a convergence of governance practice all over the world. We're seeing, for example, a convergence of the idea that independent directors are critical to the success of a company. Now, that's something that we couldn't have imagined a few years ago, but there is this convergence that's happening and I think we really see that it has been accelerated by the onset of scandals in this country.

What I'd like to talk about is -- and I'd like to break this into three parts -- is ways in which we are moving and ways in which we need to move to right the situation in the United States, and really globally. What I'll do is talk about is regulation -- for one thing, what government can do. For another, I'll talk about what investors can do. For a third, I'll talk about what boards can do. Altogether, if we can sort of put it all together in a package at the end it amounts to today's topic, which is rebuilding accountability in the boardroom.

So, let me turn for a moment to regulation. It's very timely. Very timely because as we sit here today, the SEC is meeting -- the commissioners -- are meeting to decide the next chairman and members of the Public Accountability Oversight Board, which was mandated, as you know, by this (Sarbanes-Oxley Act). I say that at the beginning because this is a very critical decision. It's just the naming of a few names and getting that agency off the ground. But the fact is, it's critical because what the (Sarbanes-Oxley) did in setting up the oversight board was to make a fundamental judgment that what we need, if we're going to supervise the accounting industry -- and first of all we need to "do." That is what (Sarbanes-Oxley) said, but we need to do it with an independent voice.

It needs to be an agency that is not captured by the accounting industry, but is able too oversee it. That is, I think, the good news because we've seen real problems -- as became obvious, with Arthur Anderson going belly up -- in the integrity of certain accounting firms, and the conflicts that give rise to the perception of integrity of the accounting firms. So we need to have, as (Sarbanes-Oxley) said, some independent voice. Now, that's the good news.

The bad news is the way that's been handled is exactly wrong. Exactly wrong because today the news will hopefully prove me wrong, but as of at least two hours ago when I checked, it looked as if where the SEC was going to head was a split decision along partisan lines as to who should chair that board.

We were talking at lunch earlier about the partisan splits in the Supreme Court in the aftermath of the 2000 presidential election, and what that did to the integrity of the Court -- the reputation of the Supreme Court. The fact is, that if we have regulation that is split along party lines, we have a real problem in being able to even get this new agency off the ground in a way that can draw public confidence and investor confidence in the market place.

So, my great fear is that while our legislation was headed in the right direction, the way it is implemented could have real problems. My fear is that it may take quite a long time, much longer than it should for the SEC to be able to gain back the integrity, or the sense of perception of independence that it appears to have lost. Indeed, whether the new accounting oversight board can get away from what looks like the perception right at its birth; that it too, can be captured by the industry that it has been charged with overseeing.

That said, the (Sarbanes-Oxley Act) has been very important, and of course some of you may know, it's a curious mixture of these two names. Representative (Oxley) fought every step of the way against this legislation. So actually, I really would prefer to call this the Sarbanes Bill in the way it was formulated. But nonetheless, it ultimately did represent the meeting of the minds in the Congress. There was a bipartisan vote in favor of it, and that's very important. It sort of sets the tone, which we hope will be restored. The criticism of (Sarbanes-Oxley) has been that it is set into law -- this black letter law -- too many very specific regulations.

A good example, the SEC just a week or so ago, released implementing regulations or rules on one portion of (Sarbanes-Oxley) that has to do with the amount that companies need to disclose about their audit committee members. It's very, very specific about the kinds of disclosure that companies have to make. But what precise skills do the members of the audit committee have to have?

A lot of people would say this is really micromanaging through law. Ultimately, it's an approach that suppresses the kinds of dynamism that we need, the innovation that we need, the creativity and entrepreneurial spirit that we need in our companies so that they can generate growth and jobs. I have some sympathy with that. I think probably given more time it would have been perhaps preferable, if not, but rather broader principles, and letting companies meet those principles in ways that they find best for their own corporate culture.

But we do have it. As I say, we have sort of a propensity in this country to fix things as quickly as we can, and we did. The fact is, that it will improve governance, for the most part, in many companies. We have lots of companies in America where we don't have an independent majority on the board of directors. Well, (Sarbanes-Oxley) will require that. We have lots of companies where we have audit committees without people that know anything about how to read financial statements. I mean, is it any wonder that if you look at the latest statistics, about one out of ten companies -- public companies in America -- are now restating their accounts, their financial statements from the past few years.

We've seen in the newspaper everyday now, today was Bristol Myers. I think yesterday was AOL Time Warner -- not small companies, not insignificant accounting jobs, not insignificant people on their board audit committee. Yet, they're coming forward, under pressure really, from the (Sarbanes-Oxley) legislation. Do you remember when we said advertising revenues were holding steady? Well, it turned out not to be the case. And no doubt there will be much work for many of the lawyers in this room as the result of (Sarbanes-Oxley) and many of these statements that are going on.

But, then we need to have -- and I think (Sarbanes-Oxley) goes a long way to do it -- better boards, better oversight of these issues. That's not to say that we need more boards that can also spur good strategy and entrepreneurial spirit. This part of the board's job, which is, overseeing accuracy in financial statements, needs a lot of work. The new legislation requires CEOs, as we know, to sign off on all the financial statements that a company produces. As some of our colleagues have said, if you make it clear that CEOs will go to jail if they sign accounts that are misleading and inaccurate, then that's a way of crossing trading lines. It's pressure that was not necessarily there before.

We have a lot more that could be done from the government's side. I'll talk about one particular item I think is very important when we get to the issue, or the role, for shareholders. We also need to tackle some chronic infrastructure problems that impede accountability -- that make it less than it should be. For example, you would have thought that shareholders should be able to vote up or down on the board of directors. The fact is, any of you who have a proxy statement, realizes that you have two choices when you vote. One, is to vote in favor of the board, and the other, is to withhold your vote -- not to vote against.

In other words, in most companies you could have 99 percent of shares voting to withhold their votes -- the board still elects them. But that's the general rule. So, we need to review the ways in which shareholders can exercise oversight of a report. That is going to take a change from law. Another area we look at is the fact that right now, when votes take place for the board, it counts for all those in favor -- all votes passed by shareholders in favor and all votes withholding or passed against, and then the outcome is determined by that.

But, that's not the case. In fact, what happens is that there is about 20 percent or so of the vote, which I'm sure is outstanding rather, that are not voted in the sense of the investors giving instructions to their agents to vote. Yet, those votes are cast. They're cast by brokers. And, they're cast 100 percent of the time in favor of management. So, you have these so called "broker non-votes," which represent a built-in management protection device. That's been allowed for years and years, and it needs to change.

We also need changes in things like international accounting standards. The United States, as we know, have had for many years what has been considered particularly by the United States, the best accounting standards in the world -- the U.S. gap. Now we know that that set of rules have been flouted and exploited by companies that have the intention of misleading their shareholders.

There is a view, which is now actually held by some of the highest ranking officials in the United States responsible for accounting. That in fact, our approach, which the a rules based approach, is not as effective as the principles based approach that's favored by the International Accounting Standards Board. For years we have resisted this move toward IAS. Now, it looks as if, finally, we need to make an accommodation with the IAS. We need to move through our laws and regulations to embracing that kind of approach.

That means, by the way, doing things like forcing companies to disclose the expense, the real expense, of their stock options programs because that will be part of international accounting standards. It should be part of our American standards, but unfortunately, our politicians on both sides of the aisle blocked measures to that effect about six or eight years ago. My guess is that we're moving in the direction now where we will have stock options expensed.

That again, will allow us so exercise more accountability. We'll get greater accuracy accounts. We'll be able to monitor our corporate boards much better if that happens. So, I think that there has been progress in governance. In action, there's a long way to go. It's heartening that we are addressing long festering issues that have plagued our government in the United States. I'm worried about how our SEC is going to implement that. But nonetheless, we have made progress where no progress really has been made for many, many years.

Let me talk for a moment about the second of that sort of triad of issues I was talking about -- the owners, the shareholders. Actually, there's an argument over the lexicon here too, because it has long been -- it actually started out where the market used the word "stockholders." It moved to shareholders and now it's moved to "shareowners," trying to get, perhaps, the most appropriate way of approaching this issue.

We have a market now in the United States, and in some other countries as well, where institutional investors own a huge amount of our equity; more than they ever owned over time. Because in the past, if you think about it, we've had a period of time where there were -- and this is the case in many parts of the world, still -- founding owners that were dominant at companies, or in many countries that the state was the dominant owner, or there were some form of block holder that controlled public companies.

We are now are in a state where the main holders of capital in the United States are pension funds and mutual funds. These represent, of course, us. People like you and me, ordinary folks that happen to have our 401Ks being managed by companies or mutual funds. So, there are institutions themselves that own a large portion of American enterprise.

When we think about accountability and how to energize accountability in the boardrooms, my view is, before we even think about the boardrooms themselves, we've got to think about who owns those boardrooms. We've got to think about the source of economic power in the United States, which is of course, the capital market. These are the folks that own America in some respects. One of the reasons why we've seen a collapse of governance is because those shareowners have not acted as owners.

In fact, one of the reasons why they haven't acted as owners is because they can't, in many cases, meet the minimum corporate governance guidelines that they asked the companies to meet. Think about that. We're talking about these huge institutional investors that are out there saying: We want boards to disclose more; we want independent directors to hold separate governance principles that have been out there for a while. But, then look at the institutions themselves. Mutual funds -- good example -- they own a huge portion of capital America.

If you are someone who has money in a mutual fund, and you want to find out how does it vote at annual meetings in the United States -- does it vote? What are its principles for voting? Does it like executive pay that's not tied to performance? For example, does it take any action when a board doesn't have sufficient members for independent directors?

Well, you know something? You cannot find that out. You cannot find it out at almost every mutual fund in the United States, and that's just wrong. It's not only wrong, it's damaging to the United States because it takes out of the marketplace a very large portion of capital that could make a difference. That isn't too say that they aren't voting by the way, they might be. In fact, most of them probably are, but they face conflicts too. Mutual funds face conflict.

After all, if you put yourself in the shoes of a mutual fund CEO, you have the possibility of voting against the management of a company that you think are just failing -- an Enron, say, two years ago. Yet, you may also need Enron's business because you're trying to be their provider for 401Ks. You want to manage their pension accounts, their fund management. Well, that's a conflict, which might not affect the way you vote, but it might. The fact is, that there's no sunlight beaming in on that. There's no disclosure. But then, you, as someone who puts money into that fund, you've no idea how they vote. Now, one of the good things in the last month, is that for years after having sat on this very request, the SEC did make a proposal last month, which would require mutual funds to disclose their voting policies and their votes. We'll see if it passes. There is considerable opposition for it, but we'll see if it passes.

My view is that it has to pass if we are to look to capital as a way of reenergizing boardrooms. Another thing that I think needs to pass, is that if you look at another constituent of the capital market -- mutual funds is one, pension funds would be another. Pension funds are run by, or rather, governed by regulations that were adopted by the 1974 (ERISA Act), and then they can follow regulations passed by the Department of Labor that were adopted after that.

(ERISA) regulations do say that pension funds do have to vote. They have to vote their shares. By the way, that's all pretty much what it says. It doesn't require any other form of activism. But nonetheless, it does say voting has to take place and when votes do take place, they have to follow the interests solely of the members of pension funds; in other words, not any other competing or conflicting interest.

Now that's good. But there's one problem that needs to be rectified -- and there is legislation pending in the Congress about it -- and that's this, the corporate pension funds are entirely controlled by management. Look at Enron's performance. That's why we have rules in place, which locked employees into investing in Enron for a period of time -- their 401Ks, for example, for investment vehicles. We have too many cases of that happening.

But the fact is, what we don't have is a system in place which gives employees of corporations any say whatsoever in the ways in which their funds are managed. You can choose what accounts, if you're in a defined contribution plan, you can choose where your money ought to go -- social choice account or U.S. funds, you know the choices. But what you can't do is have any say at all in the way in which the fund operates as an owner. So, if it has shares in a company, how does it vote?

Well, not only do you not know about that, but, you have no say in how it's done. The perception exists that those corporate funds are pretty much once again in management protection device because they vote almost a hundred percent of the time, as far as anyone knows, with management -- automatically. Regardless of whether their company is troubled, regardless of whether their dissident resolutions are on the ballot, they vote if favor of management.

There has never been -- as far as I'm aware -- any case where corporate pension funds, for example, has initiated a dissident shareholder resolution at an American company. Yet, the public funds do that all the time. But we don't have that in our corporate funds.

Now there is legislation imposed in the Labor and Employment Division of the Senate regarding the form of pension funds that would have the United States join or adopt practices that currently exist in the U.K. and Australia, and a few other countries, which says that employees should be able to name or vote for some trusting representation on the pension funds.

I think, if we were to look for what are the sort of infrastructure changes that would make for greater accountability in the boardrooms, that would be -- to my way of thinking -- a very critical defense. We need to look, for example, if you want to energize the institutions, we can look no further than that United Kingdom, where there has been a great deal of thought going to this issue.

Quite recently -- as recently as two days ago -- when the entire investment community in Britain gathered under the Umbrella Institutional Shareholders Committee, released what I think is a very critical statement designed actually to head off legislation. It's a very critical statement that lays out a set of guidelines and proposals for what institutions should be doing as owners of equity not only in the U.K., but wherever they hold stock. It involves things like, yes, you should vote clearly. Every fund ought to vote.

They also go further than that -- well, that's where (ERISA) stops in this country and they say, not only should you vote, but you should actually understand what you're voting for. You should have in your fund, resources to look at and monitor the corporate governance of any company that you are investing in. You do it in-house. You work it out, whatever you do. But you've got to have research. You've got to have knowledge. You've got to vote in an informed way.

The other thing that the U.K. statement says, is not only do you have is fiduciary obligation to vote, but you also have fiduciary obligation to vote in an informed way. You also have a fiduciary obligation to become an activist owner. In other words, if you see something going on, voting may be part of it, but you also need to be engaged with the company. You need to let the company know what the problems are that you see, or at least dialogue with the company, so that you understand what these issues are. You need to be an engaged owner.

In my view, this is something that is extremely critical, and we won't have a real fundamental infrastructure change until we go further along that path that we have. There are tools now available for institutions to be able to pick up that knowledge and learn those tactics. There are some of them that are very new. I, myself, am involved with one of government metrics internationally. For example, GMI is meant to be rating companies around the world on corporate governance. So that what you'll be able to do is to look at a General Motors, for example, and compare it on corporate governance risk against any other automobile company in the world.

It means that suddenly this stuff is transparent. You'll really be able to compare apples to apples. Just like in the European Union, with the Euro, you can now tell what is the difference between the price of a (friot) in Paris as compared to the price of a (friot) in Athens.

Now, with corporate governance sort of rating tool -- which by the way, GMI isn't the only one doing this, there are SMPs doing it as well -- you'll be able to figure out; okay, how does GM compare in governance to others. So, we're seeing the market coming up with solutions to this issue, how to energize owners. But we need help, I think, from legislation.

All right. Finally, let me talk for a moment about the board and what needs to happen, I think, to energize boards in America. Here, I would site a nice one of my favorite quotes from (John Kenneth Galbraith), and it's on executive pay, but it's emblematic to the issue. What he said was that we would be wrong if we think of CEO compensation levels as somehow a reward for performance.

What it really is, is executive duty in the nature of a warm personal gesture by the CEO to himself. In many ways that's where we are in America. The reason is this: We, I think, kid ourselves -- I'm being very frank here -- but I think we kid ourselves if we think that because we have, as we do, more independent directors on U.S boards than almost any country. Those boards, therefore, are accountable. They are looking out for the interest of the shareholders.

My view is that so long as we have a situation where the chairman and the CEO is generally one person -- and that's the case in at least 80 percent of companies in America -- as long as that's the case, we then have a situation where the CEO is policing him or herself. We are not going to be able to get the integrity back or investor confidence back until we address that fundamental issue of architecture in our boards in the United States.

The reason I say this is because the boards really does have a separate role from management. The board is not to micromanage. It's not there to do that. But it is there to hire and fire the CEO. Some of you know (Ira Millstein) from (Weil Gotschall), one of our gurus in the field. His view is, he has one way of evaluating whether a board is effective or not.

It gets down to one simple rule in his view. Is it capable of hiring and firing, or is it capable of firing the CEO? If it is, then it's a good board. It can do the fundamental job it has. The fact is, that if the CEO and the chairman are one in the same, that process becomes very difficult. Obviously, it can happen. We have lots of companies in America where CEOs have been fired from boards. But that tends to be, most of the time, a case where it's too little too late, and too infrequent.

I think what we hope to see evolve in America is a situation where boards really can operate in a way in which they can evaluate the effectiveness of management in an ongoing manner, in an independent way that reflects the interest of the shareholders, and not the interests of management.

By the way, this is not some radical idea. If you look all over the world, there are really only two countries where you sort of have this tradition of the so-called "imperial CEO." One is the United States and the other is France. The French are actually tackling it to some extent. We'll see what happens with past legislation, which is designed to move the country away from that kind of practice.

We have in America a challenge before us in changing it because we do not have a culture of splitting those two jobs. Even though if you look at it, we're a strong leader in checks and balances in almost every other walk of life. If you look at it, there is only one job in America where the person is not really account to anyone; and that's the CEO. Even the President is accountable to Congress and the Supreme Court. But we, in our CEOs, give them an enormous power.

Again, we don't want to have a situation where we're stifling creativity. That's not the point at all. What we want is a situation, which allows creativity, but in a way that benefits the shareholders, and not necessarily the management. Where the two converge, that's perfect. We want them to be perfect. But, we need boards to make them converge. The way we do that, I think, is to address the question.

We are, to be frank, nowhere near addressing that question. The New York Stock Exchange guidelines released this summer, which are still not approved yet by the SEC, goes as far as to say companies ought to release the names of the individual who chairs the meetings of the independent directors when they're meeting away from management. So, that's sort of as close as they come to even the concept of having a lead director, who's a leader and a director. We don't have anybody higher reaching, really, arguing for a split chairman and CEO.

To some extent, (Paul Volcker) is a very vocal supporter of this concept. We have some funds that are working along these lines, (Providence Capital), for instance, is one that has tried to rally shareholder interest behind them. We have a long way to go on this, but I hope that we do move in this direction. I suspect that we will.

We also need some other changes that will improve the board. We need training for directors. You know, there are surprisingly few Director Training Programs in America. We need more of those. We've had too many cases where directors think -- and companies think, too -- that they don't need anything extra. They can come in with all the skills that are needed. We need to go back to audit committees. We need skilled people there who know financial statements.

But we also need a culture of corporate governance in the boardroom, which can come through training programs. We need governance benchmarks at companies. Companies don't do enough to look around the marketplace -- not just at home, but everywhere -- to find the best practices that they can import that improve the effectiveness of the company as a business. By that, I mean we have a lot of companies that think of used RND to look for the best manufacturing process, or to look to countries with good management ideas.

We need them to look now, for the best governance practices that exist anywhere in the world. Our best corporations are progressive ones that think long term, should be importing those kinds of ideas into their own boardrooms so that we have a race to the top in companies. That, in turn, will help their bottom line, because one of the great things that boards are beginning to realize as more research is coming out on this; is that boards that do better in corporate governance have access to capital at a cheaper rate than their rivals would.

The fact is, that shareholders will pay more for companies that are better governed. So, there's a business argument for good corporate governance, and it's a strong argument for good corporate governance. It's one that study after study now has confirmed. I would expect to see that the boardrooms will take that now as a business reason to improve. It isn't just something that affects reputation. It's not something where you want to become the best and be in the headlines somewhere. It is to be competitive. That's what it's about.

There are also other things that boards can do. One of the things boards don't do very well, for the most part, is to review their own operations, their own effectiveness. Many boards do evaluate the effectiveness of the CEO periodically. We hope they do that. But very, very few take on this very sensitive and thorny issue. I acknowledge how difficult that is to sit around the table and say: How are we doing as the representative of the shareowner in this company? What are we doing wrong? What are we doing right? How do we improve? Those are the things that we need to see in boards.

One of the great things that I say about the Enron situation is that it has broken this logic. We do have lots of fresh ideas coming out -- not just here, but everywhere -- about what might work. You know, I think it's at a time when we should entertain some of those thoughts, mull them over, not automatically reject them and see what might make sense.

There was an idea I had heard just two days ago, one that (Young) used. It had the institute of directors make a case for having a shareholder committee at companies making up those institutions that own, say 1 percent or more of the company, having the shareholder committee nominate or name you know X number over directors to every corporate board. So that that these directors would be accountable directly to shareholders, rather than nominated by the board of directors themselves. It's an interesting idea worth thinking about. I think we need to really not project anything, but look at ways in which we can energize our boards, and our owners, and our legislation to this end of creating better boards and better accountability.

I would just end with this point. And, that is that there is this great convergence financially around the world. If we look at the United States and think about the changes we have undertaken recently, and then we look at other codes that are now arising around the world -- merchant markets and developed markets -- it's about something like 75 codes in about 45 jurisdictions around the world, in that neighborhood.

If you look at the code that came out of Malaysia, or the code of corporate governance that came out of India. You know those things could have been written in New York or in Richmond. They're extraordinarily similar. That's the remarkable thing about these; is that there is recognition that even though there are different cultures in corporate governance around the world, ultimately it's not an Anglo Saxon thing. Corporate governance is not just something that is pushed by faceless fund managers in New York or London.

Corporate governance is really something that gets to accountability and trust. It goes right across cultures, and the way it's implemented might be somewhat different from market to market. Ultimately, it isn't that different. The kinds of companies that we want to see emerge isn't going to be very different, one to another.

We're seeing a lot of legislation, a lot of principles, a lot of self-regulation now emerging in different markets to bring that convergence even closer. The Winter Committee, for example, in the European Union is going to talk about how to harmonize company law in Britain, in ways that can ultimately bring us a little bit closer to where we are, or where the U.K. is. There's a lot of work being done here now, which brings us closer in some respect to where they are in Europe, and international accounting standards is one example.

So, we have a converging international culture of corporate governments. We're sort of at a point where we need to figure out exactly how far to push it, or how quickly to push it.

It reminds me of a story. I don't know how many of you are familiar with the stories of the (Wise Men of Helm), the story by (Shalm Lehem). One of stories that he talks about is how there was one road going into the little village of (Helm). A huge pothole opened up in front of the village on this road. Day after day, horses and carriages were falling into it. People would get injured, and it was just a big problem. The wise men of (Helm) got together to ponder what they needed to do about this big pothole. The solution that they came up with was that they would build a hospital next to the pothole.

We're sort of at that same point. Do we need to build hospitals next to our corporate governance potholes? Or do we really need to embrace the tough issues that lie ahead of us and make the changes in law, ownership, and boardroom practice that will get us forward, or that is best for our economy?

Thank you, very much.