

"LEADERSHIP = CONFIDENCE = CREDIT" by Peter J. Solomon

The failure of the Emergency Economic Stabilization Act legislation to stem the market meltdown is a resounding outcry about the quality of leadership. Both public and private leaders have undermined confidence rather than restored it and confidence is the key to credit. Confidence, not mortgages, is the Achilles' heel of the financial crisis. In past crises, the powerful New York Stock Exchange board, a central financial figure such as Mr. J. P. Morgan or an elected official like FDR stepped forth to assure the markets.

Without private sector men of stature, the country naturally turns to public figures such as the Secretary of the Treasury and the Chairman of the Federal Reserve Board. What a failure of leadership. It is bad enough that our public officials were late to identify the gravity of the situation. Worse, their actions are idiosyncratic and haphazard.

Illustrative of the lack of seriousness is the fact that Secretary Paulson's proposed legislation to invest \$700 billion of the public's money was contained in a three page bill. Perhaps Goldman Sachs became successful making decisions on the basis of such a cryptic analysis but Congress and the people of the United States require more discussion and details.

We are now confronted by a more vivid example of the business-as-usual attitude of the Administration. Having secured historic powers, the Secretary has turned to a 35-year old former member of Goldman Sachs to administer the economic stability plan. There is nothing in his record to suggest either aptitude or experience for so daunting a task of evaluating and purchasing arcane securities.

I argued vigorously for the passage of the bill even though I believed then and now that the Secretary had missed the boat - proposing a form of RTC with powers vested within the Treasury and buying individual securities rather than an RFC, an independent agency, acquiring the preferred stock and debt of financial institutions. My position was that we needed a psychological jolt to stop the panic and that form was less important than the substance; after all, credit rests on the shaky pedestal of confidence and we needed action.

We now need competence as well. Since four weeks from today the current Secretary will be a lame duck, the Administration should go outside of the Treasury for the \$700 billion czar.

Warren Buffett is the most respected private investor. He has already begun to propose private sector investments to steady the system and, hopefully for all our sakes, to make a buck. I propose the President and the two Presidential Candidates ask Mr. Buffett to take over the Chairmanship of the rescue package. Since he has already pledged his fortune to charity through the Bill and Melinda Gates Foundation, he would avoid a conflict of interest. By stepping into the center of action on behalf of the Nation, Mr. Buffett's presence would reduce investors' fears and demonstrate the strong leadership which our public servants and other private financiers have been incapable of delivering.

Peter J. Solomon

October 7, 2008

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