

SEC Historical Society
Interview with Arthur Levitt
Conducted on June 20, 2013, by Kenneth Durr

KD: This is an interview with Arthur Levitt for the SEC Historical Society's virtual museum and archive of the history of financial regulation on June 20, 2013 in New York City. I'm Kenneth Durr.

Thanks for taking some time to talk. I want to start by going through your background a little bit. A lot has been written about your father and the fact that he was some kind of an inspiration to you, certainly, but I want to go back a little bit further to growing up in Brooklyn. Did you have any exposure to the securities industry as a young person?

AL: Only that my immigrant grandfather told me that stockbrokers were crooks and not to be trusted. Did you read my book, by any chance?

KD: I did, indeed.

AL: Because I touched on this period in Chapter 1.

KD: Yes.

AL: But that was my earliest memory of the stock market. It was reviled, it was dishonest, it was filled with cheats and plutocrats, and it was my socialist grandfather's notion of what the stock market was.

My mother had a different view. She was a schoolteacher was very concerned with the value of her pension. My father, a struggling lawyer who became head of the board of education, also began to think about retirement benefits. And when he became State Comptroller, the notion of protecting the pension system and the benefits of the pensioners, was almost obsessional and trumped every other consideration, political or otherwise. Politicians constantly importuned him to invest in their favorite projects but he resisted and fiercely defended the rights of the pensioners.

KD: Now, while your father was doing that you were moving well along into adulthood, and your course took you to Williams and an English degree. I'm wondering what your aspirations were at that point.

AL: I had none. I was a drama major. I loved theatre. I did honors work with Lillian Hellman, the American playwright. I worked for the *Berkshire Eagle* in Pittsfield. I applied to Yale Law School and was accepted. I went into the Air Force and during my time in the service I didn't have a passion for the law.

My uncle, a man, named Robert Levitt, was a famous publisher of Hearst's *American Weekly*. He was married to Ethel Merman, and made \$62,000 a year, and I thought if I could make \$62,000 a year I'd sign a contract for the rest of my life. He introduced me to someone at *Life* magazine, who invited me into Life Magazine's executive training program. I was sent to Cincinnati, where my job was to go to call on stores in Cincinnati: tire stores, department stores, jewelry stores, automobile supply stores, drugstores,

clothing stores, etc. and try to persuade them to put up signs for products that were advertised in *Life*.

It was really discouraging because so many people turned me down that I tendered my resignation after four months. My manager, who came from Detroit, flew to meet me in Cincinnati and said, "Look, hang around. You've filled out cards on each of the people you called on. Pick the five toughest ones and every day, go back and call on them again and do it for thirty days." I did that, and became immune to rejection, and developed skills that allowed me to become a competent salesman.

KD: So I know that you went through selling cattle.

AL: What happened next, was that I was transferred back to New York, working for *Time* magazine in their public relations department. My expectation was that this program might lead to being offered the coveted job of space salesman. And indeed, they did offer me that job and told me I would be paid the munificent sum of \$12,500 a year. I could not afford the job and was receptive to an offer I received to join a Kansas City cattle company that paid twice the Time, Inc. salary. My job in KC was to sell herds of breeding cattle and ranchland to absentee owners, many of who worked for major Wall Street financial institutions.

KD: That must have been quite a switch from working for *Life*.

AL: Everything I have ever done in some way or other prepared me for the next step.

KD: How did that prepare you?

AL: It brought me into contact with very well-to-do successful executives at a level that anyone my age could never possibly approach, and it exposed me to people in fifteen western states: ranchers and cattle growers, a part of American business that I might never otherwise have been exposed to. It was five years later when a cattle buying client remarked to me, "If you can sell cows, Arthur, you can probably sell stock. My son-in-law's starting a brokerage firm. Would you like to join them?"

Throughout my life I accepted nearly every job I was offered, no matter how remote. Wall Street was much less off beat than cattle. I joined a firm called Carter, Berlind & Weill, knowing nothing about financial services and embarked on an intensive period of on the job training.

KD: Describe that firm. Place it in the larger terrain of Wall Street at that time.

AL: They were tiny. We had five partners, all seated in the same room, about an equal number of staff analysts, and secretaries; small space at 60 Wall Street. We had pretty good research, which wasn't characteristic of many firms in those days. We also underwrote small unheard-of companies that few others would have touched. We were almost anonymous, a new firm nobody had heard of and we had to really struggle to

establish our credentials among the giants like Goldman Sachs, Salomon Brothers, and Lehman Brothers.

KD: How did you do that?

AL: I called on people that I knew, many of whom I met in the cattle business. I was persistent. I worked as a stockbroker and built a fairly large client base.. My partners included Sandy Weill of Citi Group fame and Roger Berlind who left the business to become one of Broadway's most successful producers., We were all very competitive and each of us owned equal parts of the firm. We made many acquisitions in the 70s and underwent seven name changes.

KD: What was the competitive advantage that you had?

AL: We were small.

KD: You were small, but you're going through these acquisitions over the years.

AL: We were small and we were agile. In the 70s we acquired Hayden Stone and persuaded the NYSE to fund a large part of the acquisition because Wall Street was experiencing operational problems and the failure of a large firm was regarded to be a terrible danger to America's markets.

KD: Now, sometime in here you started to get involved with the AMEX, I understand. What was your first relationship with the AMEX?

AL: I met the chairman of the AMEX, Paul Kolton at an industry dinner. Shortly after, he invited me to serve on the Amex board. After about a year of board service Kolton decided to retire. He was an able, thoughtful and decent leader. The AMEX was experiencing regulatory problems and it was time for a change. I was asked to serve as Chairman by the nominating committee and decided that this was a way for me to exit the brokerage business and run a stock exchange. The AMEX was losing business and a series of scandals damaged its reputation. Our listed companies were smaller businesses that didn't qualify for the NYSE. My challenge was to give them a greater voice in the business world and a reason to stay listed on our exchange. To reach this objective I organized a new business group for small and mid-sized companies that would do the same sorts of things that the more prestigious Business Round Table was doing. We called the group the American Business Conference and it consisted of 100 CEOs of companies (most of them listed on the Exchange along with a number of prospects. The group gained recognition in Washington and created a good reason for companies to list and remain on the AMEX.

KD: Kind of made a virtue of something that had been understood as a liability, at best.

AL: Yes. My people skills were awfully important at that stage of the game. I knew that to succeed I had to deal with the traders on the floor who didn't really like being regulated.

KD: Was there ever talk of a merger with the New York Stock Exchange?

AL: Many times. I participated in a number of discussions, but they really regarded us as second rate citizens. During my last year at the AMEX I bought the Congressional newspaper, *Roll Call*, and also agreed to serve on the Base Closing Commission. During this time President Carter made me head of the White House Conference on Small Business where I again involved many CEOs of AMEX companies.

KD: Why the *Roll Call* acquisition? It seems like an interesting lateral move.

AL: I was very interested in politics, and journalism and knew that a more informative newspaper would be influential with Congress. I saw this as a money maker because I felt US businesses would advertise heavily if they thought the publication was influential.

It seemed that every job I ever held prepared me for the next. I also felt under qualified for just about all of these undertakings. Having worked for a number of Presidents I became interested in the position of chairing the U.S. Securities and Exchange Commission when the job became available.

KD: Is that when David Ruder retired?

AL: Yes, and I had some Republican support. Howard Baker interviewed me. I was told by many Republican politicians the job would never, ever go to a Democrat. Bob Strauss helped me, but indeed, everybody knew it was a doomed cause but I'm glad I tried. I opted to expand my interests in publishing and bought a series of community newspapers and magazines. During this time Bob Rubin who was CEO of Lehman Brothers asked me if I would participate in a New York fundraiser for Bill Clinton, whom I had never met. When Clinton was elected I believed that I wanted to join his administration. I really don't know who was my sponsor to secure the job of SEC Chair but sometime in February I received a call from White House personnel asking me whether I was interested in the job. After an agonizing 11 week process of vetting I was told the President was prepared to appoint me. I regarded this as a highlight of my life. At the time, Mary Schapiro was acting chair, and I had to get up to speed in terms of what I wanted to do and how I could define myself. Arthur Liman, who was a very successful litigator at Paul, Weiss, was very helpful to me. He said, "You have to define yourself with your staff. If they support you it will be extraordinarily helpful, and if they don't you're doomed."

KD: How did you go about doing that?

AL: I spent an inordinate amount of time with every key staffer. I met with them, I went to their offices, I consulted with them. I waged a campaign to win them over. I spoke about them as patriots, underpaid and overworked. I did everything humanly possible to win their confidence. I fought to increase in salaries and campaigned to win them over. They

were invited to every meeting I scheduled and I tried to keep them involved in every major decision. Chairmen look smarter or dumber than they are because of markets, luck and an extraordinary loyal and creative staff.

David Ruder had bad luck. Mary Schapiro had terrible luck. I knew the Congress; I liked them; they didn't intimidate me. I dealt with them for much of my life. I must have spent a third of my time on the Hill. So when the House was won by the Republicans in '94 it didn't bother me at all. I knew so many members on both sides of the aisle.

KD: Yes. Let's back up a little bit. That's a key moment, of course, but looking at the industry and at the markets in '93 when you came in, you talked about winning the staff as being important, because without that there's nothing else, but what was the situation in the markets? What did that lead you to make your priority, what you wanted to accomplish?

AL: We had a corrupt municipal market. It was an oriental bazaar. It had been that way for years. We had accounting practices which were abysmal. My first move was to try to do away with pay-to-play. This was the practice of giving political contributions to politicians in order to win state and local underwriting business.

KD: Had you been aware of this for a long time? Pay-to-play?

AL: Yes during my days in the brokerage business I experienced the frustration of trying to win business without having to give contributions to political leaders in states and municipalities.

KD: So you started off with kind of a voluntary approach, and you worked with Frank Zarb on that. Tell me a little bit about that approach.

AL: Frank Zarb helped me a lot. He went around getting companies to agree to sign on, and pretty soon we got most of the major underwriters to sign on to a voluntary ban and then we codified that.

KD: Was there pushback when you tried to write it into rules?

AL: Yes, some firms pushed back. Eventually, they came around. Phil Purcell pushed back, from Morgan Stanley.

KD: It would seem like in the arena of public opinion it would be awfully hard to come out against it.

AL: I know, and it gave us a terrific platform, a huge amount of press. Perhaps the most important program we introduced was an investor education program. We set up a division that was committed to using the internet and scheduling meetings with individual investors throughout America. We partnered with groups such as AARP to begin the

process of working with investors to learn how to protect themselves. We lacked the resources to do as much as we wanted but we did embark on a nationwide series of meetings with investors. These sessions were intended to respond to questions and offer advice. To get maximum exposure to this program we partnered with newspapers and television stations throughout the country. Our first meeting in Cherry Hill, New Jersey drew about 50 people. The program built and we had over 1000 people in the audience in Los Angeles. Again, we were trying to reinforce the branding of the Commission as the “investors agency”. We also invited members of our oversight committees in the House and Senate to speak at the town meetings. Ed Markey, Steve Largent Greg Ganske, Joe Lieberman were among those that participated in these forums.

AL: Perhaps the most contentious programs undertaken by the Commission was our efforts to establish more transparent and accurate accounting standards. This was an area I knew very little about but I was blessed with two extraordinary chief accountants, Walter Schuetze and Lynn Turner.

KD: Let's start into that, and I gather that the opening salvo was expensing options in the FASB. Had that been in the works before you even came to the Commission?

AL: Yes.

KD: Give me a little background on where that was when you took it up.

AL: Well, FASB was pushing for expensing of stock options against the well-orchestrated lobbying efforts of American business. High tech America, in particular, opposed such rule making and it seemed as if the entire business community was engaged in opposing the FASB. Sen. Joe Lieberman of Connecticut, the home of the FASB, was particularly harsh in his efforts to oppose option expensing. All of this occurred during my early years and I really feared that Congress would close down the rule making process by the FASB and really jeopardize the independence of the process. On reflection, that was a mistake. I do not really believe that Congress would have usurped the setting of accounting standards. I urged the FASB to back away from the issue. This was one of the most significant mistakes I made. . I persuaded myself that we had too many other issues before us to get mired down by a rule few understood but which had significant implications in terms of transparency and investor protection.

KD: Was the staff behind that decision, or were there people pushing to keep on?

AL: I believe that some on the staff believed I was doing the wrong thing but all of us recognized our political vulnerability. Later on Warren Buffet gave strong support to the proposal and we made progress although not as much as we might have.

Another issue we emphasized over and over was self-funding for the Commission employees. This was a campaign vigorously fought by my predecessor Richard Breiden and was terribly important to the staff. We had many hours of testimony and personal

visits with Congressional leaders, but to no avail. The appropriation process was too important for them to relinquish to self-funding

The accounting issue was probably the most contentious issue and lasted until my final days of the Commission. I remember one of my key aides, Gregg Corso, put a screensaver on the computer behind my desk which flashed “accounting,” “accounting.” A Commission Chairman is defined not by rules or regulations passed, but by speeches, Congressional testimony and public appearances. I was also blessed by a group of speech writers that took ideas and turned them into eloquent statements I could not have created for myself

KD: How about the issue of brokers and analysts? That was something that you looked at early, too. Was that one of these things that just sort of happened, or was that one of the issues that you chose to focus on?

AL: What do you mean by entering early?

KD: Well, basically the fact that you put a lot of attention on the fact that the analysts' side of stock brokerage firms were beginning to really drive the brokers to make sales that were not necessarily in the best interests of the investor.

AL: I didn't spend very much time on that issue. That really came after me and was teed up by Attorney General Elliot Spitzer of NY. I was more interested in compensation that

motivated brokers to execute buy and sell transactions rather than the well-being of the customer. While in the brokerage business I had given a speech about broker compensation at Columbia University and it was natural to follow up with this at the Commission. The title of that speech was Profits and Professionalism. Another issue taken up during my early years was that of collusive practices engage in by NASDAQ market makers. We worked jointly with the Justice Department in bringing an action which forced firms to give up the practice of working together to set commissions on over the counter securities. I remember from my industry days that when we asked for bids on an over the counter security we would get back 10-15 bids within fractions of one another. This certainly had all the earmarks of collusion.

KD: So was this independent of Christie and Schultz, the two economists who did the study about odd-eighths?

AL: No, that wasn't independent of them. They certainly motivated the Justice Department to move ahead and really motivated us to take action we might not otherwise have taken.

KD: Yes. But I guess the obvious question is: is this something the SEC should've caught, the odd-eighths stratagem that they were using?

AL: Who knows? They've got so much on their plate. What U.S. attorney or what regulator ever catches something before it actually happens? But Christie and Schultz certainly played a huge part in that.

KD: Do you remember hearing about that?

AL: Yes.

KD: Did a bell go off, or what was your response?

AL: Again, if I was there alone it would have sailed right over my head, but we had a particularly strong staff heading Market Regulation. Rich Lindsey, who was head of the department and Carrie Dwyer, who was my deputy and really knew market structure, pushed this program from beginning to end and set the stage by the implementation of the market handling rules for today's electronic markets.

KD: But the NASDAQ scandal opened the way for that, it sounds like.

AL: Yes.

KD: Once that happened, conceivably there were two things. One is essentially punishment, so to speak, or what's the penalty for doing this, and two is how do you restructure the markets? And some of the contemporary press thought that the punishment was too great.

AL: Or wasn't great enough. I think the punishment was appropriate and made it possible for the Commission's move to decimalization. While this is still a topic of debate I believe we were on the right side of this issue and succeeded in increasing the speed and reducing the cost of transactions.

KD: Let's back up a little bit and talk about something that you handed out before, which was the '94 Congressional elections. Did that cause you to change your strategy very quickly?

AL: No, because of my prior history as owner of the *Congressional* newspaper, service on the Base Closing Commission, and my relationships with Congress crossed party lines. One of my closest friends in Washington turned out to be Phil Gramm. We didn't agree on anything except Labrador retrievers, and he thought he was playing me and I thought I was playing him, and we were probably playing one another. He could have made life miserable for me.

When I look back at my experience at the Commission I believe I benefitted from extraordinary luck. The markets were strong and the staff I inherited was extraordinary. That cadre of underpaid and underappreciated professionals made me look much better than I was.

KD: Yes, and it sounds like the Administration certainly wasn't on your back, to say the least.

AL: I had twenty-five political appointees (always of the party of the President). Thirteen of them were either Republicans or independents, and the White House allowed every single appointment. When Congress threatened to cut my budget because we were proceeding against the accountants, the President let it be known that he would veto any such bill. I couldn't have had better support.

KD: How often did you meet with the President during your tenure?

AL: Never, except during his final days in office when he invited me to meet with him. He was a great President who respected the independence of the agency.

KD: Well, let's talk a little bit about some of the legislations, which are inherently political, some of the things that came at mid-decade following those Congressional elections, and I just want to get your recollections of the process.

AL: It was a sad day in '94 when the Republicans took over. I was at Roger Altman's house, and everybody was tremendously depressed. We quickly adjusted to it. The ability to deal with change is just a life lesson which is experienced in business, in academia, and government. I did spend more time with the new Republican leadership than I might otherwise have done. Now, during this period of time I spent a great deal of my time defending myself against attacks made by David McIntosh, a right-wing Republican from Indianapolis. He endeavored to convince the media that I was cheating the government

by upgrading air fares (at my own expense) to first class and travelling too often to visit the NYSE because it was near my home in Connecticut.

KD: Oh, that's the airplane thing?

AL: That was one part of it. I hired A. B. Culvahouse, the managing partner of O'Melveny & Myers, at my own expense, to defend me. And he got a young partner named Joe Lombard, who subsequently came to work for me at the SEC, to go through my records. He found enough material to persuade NBC to whom MacIntosh had leaked the story to drop the idea but it was expensive and painful for my family and staff.

KD: Wow, okay. The kind of thing you have to expect, I guess, in that situation.

AL: Maybe so. And so I was better able to afford that Washington experience than many, and the environment, I think, was still less poisonous then than it is today.

KD: Right. Well, let's talk a little bit about some of the legislation. The Securities Litigation Reform Act was the first one, and that one had to do with class actions and that sort of thing. Tell me a little bit about how that played itself out in the SEC.

AL: Abner Mikva at the White House was very helpful on this important issue. Not being a lawyer handicapped me as we dealt with legislative wording and intent. I remember Chris Cox, one of my successors, was really leading the fight against litigation that I felt was

important for investor protection. I didn't fight it as aggressively as I should have. I don't regard it as one of my finer moments, and I really believe that a lot of the problems that the Commission has today is a function of the bill, which changed liability standards making it more difficult for investors to protect themselves.

KD: Was the SEC able to temper the legislation at all?

AL: Modestly.

KD: But that wasn't something where you really chose to throw down the gauntlet?

AL: No, and I think that Clinton's veto was too late. It's a mystery as to why he did this at the last minute knowing that he would probably be overridden

KD: The National Securities Markets Integration came about a year later where you're looking at essentially allowing large issuers to register with the SEC and not worry about state regulation.

AL: Yes, I think that made a lot of sense. I was a great supporter of the importance of states, but also recognizing the costs of redundancy. During this period, a company with a regulatory issue did not come to the regulator but instead visited members of Congress or staffers whom they urged to frustrate the rule making. The oversight process was flawed

with members and staffs took positions favorable to their contributors more often than our markets.

KD: Did you have your allies that could help you fight against that in Congress?

AL: Sure.

KD: Tell me a little bit about the care and feeding of those folks.

AL: Well, the Democrats generally were supportive. I had Dingell and Markey, who knew more about securities issues than most members of Congress. During this period the Republican Committee leaders were very open, intelligent and reasonable. I liked them as friends and, by and large, they tried to do the right thing.

KD: Well, let's move into the later period in the SEC and a couple of very big things, one would be Reg FD. Was that generated by the staff?

AL: Harvey Goldschmid was probably the most important. I think Matt Winkler of Bloomberg came to see me on it, and I instantly became convinced it was the right thing to do. Harvey Goldschmid was hugely important to me for every one of my years at the Commission and for every one of my years subsequent to that up to the present moment. He's been a compass for me in terms of what's right and what isn't.

KD: So how did you proceed with Reg FD?

AL: Full speed ahead. There was no ambivalence about it. The industry opposed it. On the way into the final Commission meeting on it, I was called by Hank Paulson from China saying, "Arthur, if you do this, you're going to ruin the business." We moved ahead anyway I believe today Hank might look at the issue differently. We got Reg FD with a minimum of difficulty. Was it perfect? No, no rule is ever without unintended consequences. We were prepared to make adjustments for those. I cannot overemphasize Harvey Goldschmid's importance on this issue.

KD: Now, is he the one who turned this from an insider trading issue to a communications issue?

AL: Yes.

KD: Tell me a little bit about those discussions, because that's a really interesting turn.

AL: We had help from some of America's greatest companies which were already embracing policies embedded in Reg FD.

KD: Okay. It sounds like it was relatively easy to do, but my understanding is a lot of voices were raised with Reg FD. Could it have gone farther than it did?

AL: Sure.

KD: Did you start with sort of an ambitious agenda and scale it back to meet political requirements?

AL: We were responsive to criticism and mindful of unintended consequences.

KD: My colleague just spoke to Harvey Goldschmid the other day, I believe, and I talked to Laura Unger quite a few years ago now. She did a study of Reg FD after a year out or something like that. The idea was always that it would chill communications, and did you ever see any indication of that?

AL: No, although companies would argue that.

KD: Did you think, well, maybe it'll happen? Did you investigate the possibility at the time?

AL: I certainly weighed that possibility as carefully as I could and relied on lots and lots of advice from people that I respected.

KD: Okay, well another thing you focused on was auditor independence, and this took you through toward the end of your time.

AL: It really started early on when I saw that the FASB was controlled by the industry, and I waged a very contentious battle to get balance on the board of the FASB.

KD: How did you do that?

AL: In consulting with their leadership we persuaded them that they risked losing Commission recognition if they didn't embrace the concept of independent directors. Mike Cook who headed Deloitte was the head of the FASB and was very constructive in moving in this direction.

KD: Picking up on auditor independence, you talked earlier about speeches and the big one appears to be this 1998 speech "The Numbers Game." Did you know before you gave that that it was going to roil the waters a little bit?

AL: Yes

KD: What was the intent there?

AL: To gain national focus on what I regarded to be a national issue of huge importance

KD: Talk about the result, what happened after that speech?

AL: Well, it gained great notoriety and it formed the background of the Commission's commitment to try to squeeze out practices that were against the public interest. It raised the question of auditor independence to a higher level than it had ever been before, and it became the launching pad of an effort to separate consulting services from auditing services.

KD: You really talk about building public support for this outside the government.

AL: Yes.

KD: Okay, so having created that backbone, what was the next step?

AL: The next step was to negotiate with the firms to get rid of their consulting practices.

KD: Was this the blue ribbon commission?

AL: Well, eventually it was, but more important than that I felt this had to have national traction. At Congress it was being lobbied fiercely, so how were we going to get public attention? What better way than having public hearings? And the accounting profession should not have exposed itself to this visibility. Witness after witness endeavored to defend practices which were indefensible and which could have been handled in a private forum and, from their point of view, much more effectively.

KD: Did you give them that option?

AL: Yes They could have had it, but they were pretty bellicose and fought it aggressively. Mostly through Congressional lobbying.

KD: So then the blue ribbon committee.

AL: I think the blue ribbon commission, my recollection was it dealt mostly with governance standards; it had nothing to do with auditing. It dealt with independence and how you enforce this at the board level.

KD: That's a subject that I'm particularly interested in is corporate governance. Now, was that an issue that you were particularly concerned about during your time?

AL: Yes.

KD: Tell me a little bit about how that played itself out.

AL: U.S. boards of directors operated mostly with the culture of fraternity rather than a more appropriate culture of skepticism. The Committee was not suggesting confrontation but boards were still struggling with the issue of independence. This is a major protection for individual investor and the blue ribbon committee was formed to come up with standards of board behavior that would be embraced by the New York Stock Exchange.

I might say parenthetically that I'm not totally convinced that good governance necessarily leads to good performance, or that poor governance leads to poor performance. I've seen too many exceptions to that. But, in any event, this was a useful exercise because the fraternalism of American boards, I think, worked against the interests of investors in terms of keeping from them information that was important for them to have, keeping the balance between the power of the board and the power of the shareholder ..

KD: Did most of this focus on the idea of an audit committee?

AL: No, an audit committee was important but board structure was an important part of it.

KD: Can you give me a little bit more on what the outline of the idea was?

AL: It was to highlight in the minds of investors, corporations and the media the importance of independence to our markets. We emphasized that unless our markets were trusted we would lose our advantage in markets developing throughout the world.

KD: You were looking at boards. What about shareholders, what about shareholder access, things like that, was that an issue in this period? I know it became one later.

AL: Yes, shareholder access to the proxy was something we looked at but didn't proceed very far. International accounting standards were extraordinarily important and the Committee headed by Paul Volcker to develop those standards did a great job in moving the issue along. I've learned that different sovereignties will have a difficult time in embracing precisely the same standards and movement in this direction takes time. Phil Gramm wanted it to be immediate, but it was apparent total convergence was probably impossible. America did have the most rigorous and transparent standards.

KD: Well, I want to finish with some big picture things, and one is it appeared that, at least from your discussion of your process of coming in, that the administration left the SEC well enough alone, but, from what you've said, it sounds like Bill Clinton was at least watching to see what was going on.

AL: I think so.

KD: But you had this ongoing challenge of a budget that wasn't moving very much while the tasks you were being expected to accomplish were. Tell me a little bit about how that affected the Commission and your management of it.

AL: Let me say first that I think that it's how you use the money rather than the amount of money appropriated. I would like to have paid people more. We were way behind on technology. That wasn't the issue. The major reason for having self-funding is to provide

higher compensation for staff. We made good use of the money we had, but I wish we could have raised salaries to competitive levels, embraced technology, do more with investor education and the regulation of municipal markets.

KD: Having served the longest as a Commission Chairman, what would you say that the one lesson that you learned would be? You talked about through every stage of your career you learned something that took you to the next stage. What did you learn at the SEC?

AL: I don't know how to answer that. There's no one thing I learned. It's such a multifaceted job involving political skills, media skills, ability to take risks, and lots of lots of luck. I was probably the luckiest Chairman in the history of the Commission.

KD: Well, that's a great note to end on unless there's anything that we haven't talked about that you think we should?

AL: I'm sure there is, but you can come back to me anytime you want.

KD: Sounds good. Thank you very much.

[End of Interview]