

FAREED'S BRIEFING BOOK

02-14-2010

PAUL VOLCKER



Paul Volcker

Paul Volcker was the Chairman of the Federal Reserve under United States Presidents Jimmy Carter and Ronald Reagan. Volcker is currently chairman of the newly formed Economic Recovery Advisory Board under President Barack Obama.

Volcker served in the federal government for almost thirty years during five presidential administrations. Appointed as chairman of the Board of Governors of the Federal Reserve System by President Jimmy Carter in 1979, he was re-

appointed by President Ronald Reagan in 1983. After leaving the Federal Reserve in 1987, he became professor of international economic policy at Princeton University and served as chairman of the firm of James D. Wolfensohn & Co. until his retirement in 1996.

Volcker has served in a variety of positions with the Treasury, Chase Manhattan Bank, and the New York Fed. He is chairman of the Board of Trustees of the Group of 30 (G30), an international organization which examines the impact of economic and financial decisions by the public and private sectors. As chairman of the first National Commission on the Public Service (the "Volcker Commission") in 1988 and the second Volcker Commission in 2002, he established himself as one of the nation's strongest advocates for the revitalization of the public service.

In 2004, Volcker was called upon to lead an independent investigation into the Iraqi Oil for Food Program of the United Nations and a review of the World Bank's anti-corruption efforts.

During the recent financial crisis, Volcker has been extremely critical of banks, saying that their response to the financial crisis has been inadequate, and that more regulation of banks is called for. More specifically, Volcker has called for a breakup of the nation's largest banks, prohibiting deposit-taking institutions from engaging in riskier activities such as proprietary trading, private equity, and hedge fund investments.

MORE:

THE VOLCKER RULE

On January 21, 2010, President Barack Obama proposed bank regulations which he dubbed "The Volcker Rule," in reference to Volcker's aggressive pursuit of certain regulations. Volcker appeared with the president at the announcement. The proposed rules would prevent commercial banks from owning and investing in hedge funds and private equity, and limit the trading they do for their own accounts.

The Volcker Rule, which if enacted by the U.S. Congress would re-separate banking from proprietary stock trading and hedge funds, has fallen under attack by Wall Street, for example Barclays Bank, and even other regulators like the Bank for International Settlements. But in the Senate this week, Democrat Chris Dodd of Connecticut, who is not running for re-election, opened negotiations with Republican Bob Corker of Tennessee, bypassing ranking Republican member Richard Shelby. Meanwhile first term Democratic Senator from Oregon Jeff Merkley has proposed expanding the Volcker Rule's prohibitions to cover even non bank financial institutions large enough to be deemed "systemically critical." With the Volcker Rule in play, some say Citigroup among others has already been "Volckerized."

["BIS's Caruana criticises Volcker's narrow-banking rule," Risk.net](#)

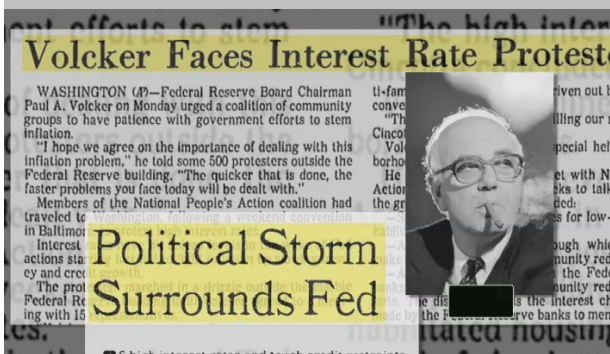
["US sen. wants to widen proposed ban on risky trade," Reuters](#)

["Barclays' John Varley: 'Obama reforms won't prevent banking crisis,'" The Guardian \(UK\)](#)

["Push for consumer protection agency faces obstacles in new bipartisan talks," The Hill](#)

["Citigroup Gets Volckerized," TheStreet.com](#)

ATM MACHINES



Fareed mentions that Volcker has been quoted saying that "the only useful banking innovation was the invention of the ATM." Read more in a profile in [The Week](#) magazine for February 5, 2010.

Lectures and speeches by Volcker available [here](#).

VOLCKER AS CHAIRMAN OF THE FED

Volcker's Fed is widely credited with ending the United States' stagflation crisis of the 1970s. Inflation, which peaked at 13.5% in 1981, was successfully lowered to 3.2% by 1983. The federal funds rate, which had averaged 11.2% in 1979, was raised by Volcker to a peak of 20% in June 1981. The prime rate rose to 21.5% as well.

Volcker's Fed elicited the strongest political attacks and most widespread protests in the history of the Federal Reserve.

Fareed mentions that Volcker testified before Congress last week, and *The Wall Street Journal* reported on it. The article is entitled “Wall Street reform died this week, it died Tuesday before the Senate Banking Committee from unnatural and illogical causes after the finance lobby, obstruction, fear-mongering and plain ignorance.” Read more from “[“Volcker and Reform Defeated”](#) here.

Read “[Dodd Calls Obama Plan Too Ambitious](#)” here. *New York Times*

[Carlyle sees Volcker impact on banks PE assets](#) *Reuters*

[Obama's 'Volcker Rule' May Not Survive Congressional Skepticism](#) *Businessweek*

[Glass-Steagall vs. the Volcker Rule](#) *New York Times* (blog)

[OVERHEARD: Volcker Fallout](#) *Wall Street Journal*

[Volcker's back in Obama crackdown on US banks](#) *AFP*

[Barack Obama bank reforms: Trying to fix a broker society](#) *Telegraph.co.uk*

[Obama's financial reform falls short](#) *Politico*

[Volcker stands his ground against opponents](#) *Financial Times*

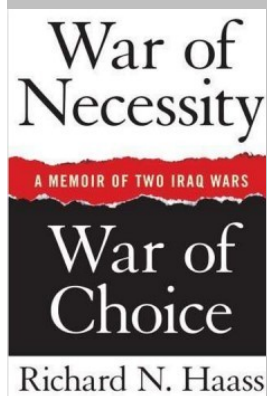
[“Bank reform faces hurdle on Volcker rule”](#) *Reuters*

[Volcker on the Volcker rule](#) *Atlantic Online*

IRAN

Richard Haass

Richard Haass is president of the Council on Foreign Relations, a position he has held since July 2003. The Council on Foreign Relations describes itself as “an independent, nonpartisan membership organization, think tank, and publisher dedicated to being a resource for its members, government officials, business executives, journalists, educators and students, civic and religious leaders, and other interested citizens in order to help them better understand the world and the foreign policy choices facing the United States and other countries.”



Haass is the author or editor of eleven books on American foreign policy, including his latest, [War of Necessity, War of Choice: A Memoir of Two Iraq Wars](#). He is also the author of one book on management: [The Bureaucratic Entrepreneur: How to Be Effective in Any Unruly Organization](#).

From January 2001 to June 2003, Haass was director of policy planning for the Department of State, where he was a principal adviser to Secretary of State Colin Powell. Confirmed by the U.S. Senate to hold the rank of ambassador, Haass also served as U.S. coordinator for policy toward the future of Afghanistan and U.S. envoy to the Northern Ireland peace process. For his efforts in Ireland, he received the State Department’s Distinguished Honor Award.

From 1989 to 1993, he was special assistant to President George H. W. Bush and senior director for Near East and South Asian affairs on the staff of the National Security Council. In 1991, Dr. Haass was awarded the Presidential Citizens Medal for his contributions to the development and articulation of U.S. policy during Operations Desert Shield and Desert Storm.

Haass also was vice president and director of foreign policy studies at the Brookings Institution, a senior associate at the Carnegie Endowment for International Peace, a lecturer in public policy at Harvard University’s John F. Kennedy School of Government, and a research associate at the International Institute for Strategic Studies.



Bret Stephens

Bret Stephens is the deputy editor of the editorial page of *The Wall Street Journal*.

Mr. Stephens writes the *Journal's* "Global View" column on foreign affairs, which runs every Tuesday in the U.S. and is also published in the European and Asian editions of the paper. He previously worked for the paper as an op-ed editor in New York and as an editorial writer in Brussels for *The Wall Street Journal Europe*.

From March 2002 to October 2004 Mr. Stephens was editor-in-chief of *The Jerusalem Post*, a position

he assumed at age 28. At the *Post*, he was responsible for the paper's news and editorial divisions. He also wrote a weekly column. In 2004, Mr. Stephens was named a Young Global Leader by the World Economic Forum, where he is also a media fellow. Raised in Mexico City and educated at The University of Chicago and the London School of Economics.

MORE:

[Stephens: Seven Myths About Iran](#) *Wall Street Journal*

[Stephens: Obama and the Copenhagen Syndrome](#) *Wall Street Journal*

[Stephens: To Help Haiti, End Foreign Aid](#) *Wall Street Journal*

[Stephens: Can Intelligence Be Intelligent?](#) *Wall Street Journal*

[Stephens: Our Incompetent Civilization](#) *Wall Street Journal*

[A God of the Copybook Headings](#) *Wall Street Journal*

PRESIDENT JACOB ZUMA



Jacob Zuma

Jacob Zuma is the President of South Africa. He was elected by parliament after the African National Congress' party's victory in the 2009 general elections. Zuma joined the ANC in 1959, and represented the organization in Mozambique, Zambia and elsewhere.

When the ANC was legalized within South Africa in 1990, Zuma returned and was elected to office in KwaZulu-Natal.

He was charged with rape in 2005, but was acquitted. This year, he has acknowledged fathering a child with a woman who is not one of his three wives. The ANC's official biography of Zuma reports that he "started the process of promoting positive values through the launch of the Moral Regeneration Movement."

In addition, he fought a long legal battle against charges of racketeering and corruption, resulting from his financial advisor, Schabir Shaik's conviction for fraud. On April 6, 2009, just prior to his election as President, the National Prosecuting Authority decided to drop the charges citing political interference.

Zuma is a lifelong member of the South African Communist Party (SACP), but he has faced significant legal challenges. He joined the SACP in 1963, when he was arrested and convicted of conspiring to overthrow the government, and sentenced to 10 years in prison on Robben Island with Nelson Mandela and other notable ANC leaders. Zuma is also referred to by his initials JZ and his clan name Msholozhi.

MORE:

[Catholics blast South African President Zuma](#) *Washington Post*

[S.Africa rand gains vs dollar, stock futures up](#) *Reuters South Africa*

[Archive: De Klerk dismantles apartheid in South Africa](#) *BBC New*