1970's

ON MANAGEMENT STYLE

A. Financial world is uncertain. We cannot predict either rates or volume available.

B. There is always risk when a financial institution lends money. That risk must be objectively assessed and measures and techniques put in place to minimize that occurrence.

C. The capacity, as a mangement matter to innovate, change direction, and action quickly, must not be inhibited by the bureaucracy--either corporate or public.

D. Errors made must be admitted; opportunities lost measured and techniques used to correct error and maximize gain.

E. There should be a healthy disrespect for accounting conventions in deciding whether a particular course of action makes financial (not bookkeeping) sense.

F. The system must be able to withstand shocks not of your doing.

G. Never run the institution as if Big Daddy will take care of you--either by printing the money, providing guarantees, safety nets, or subsidies.

H. Never underestimate the cruelty or ignorance or biases or capacity of those who would rather you were not a factor in their world.

I. Don't try to outsmart, outwit, out-bargain in the market-place. Treat customers, underwriters, even rating agencies, openly, fairly and honestly. In short, face the problem but do not assume that men are of good will or will even act in their best intent. Assume rather, that good ends can be achieved by using the tools of rational analysis.

Robert Kennedy wrote about the beauty of what rational man can do. I quote him:

"Think how our world would look to a visitor from another planet as he crossed the continents. He would find great cities and knowledge able to create enormous abundance from the materials of nature. He would witness exploration into understanding of the entire physical universe, from the particles of the atom to the secrets of life. He would see billions of people, separated by only a few hours of flight, communicating with the speed of light, sharing a common dependence on a thin layer of soil and a covering of air. He would also observe that most of mankind was living in misery and hunger, that some of the inhabitants of this tiny, crowded globe were killing others, that a few patches of land were pointing huge instruments of death and war at others. Since what he was seeing proved our intelligence, he would only wonder at our sanity. It is this monstrous absurdity that must be the target of the modern revolution."

But there is another perhaps more fundamental basis for our concern for our fellow man. The poet John Donne put it simply:

"No man is an Iland, intire of it selfe; every man is a peece of the Continent, a part of the maine; it a Clod bee washed away by the Sea, Europe is the lesse, as well as if a Promonterie were, as well as if a Mannor of they friends or of thine owne were; any man's death diminishes me, because I am involved in Mankinde; And therefore never send to know for whom the bell tolls; it tolls for thee."

MORE: ON MANAGEMENT STYLE

You may ask now what turns us off. What aren't we interested in, in deciding what, where, when and how much to borrow--

1) First, we are not interested in tombstone advertisements;

2) We are interested in talking to institutions who can place our bonds;

3) We don't want our banker-underwriters to hold our securities; if we did, we would have made a bank loan or a private placement with them;

4) We are not comfortable with underwriters who do not feel an obligation to their customers, that is, their institutional clients;

5) We do not like bond issues in which the customer is not satisfied with the price;

6) We are not comfortable with firms that either do not know the market or seek to be excessively competitive to attract our attention or favor;

7) We do not look upon our underwriters as adversaries;

8) We do not bargain or negotiate. If the price is wrong or inappropriate, we simply will advise the governments of the world who are our stockholders that the investment banker has made an inappropriate or uninformed offer and that no deal is possible;

10) We do not threaten our managers with price competition from other firms. In turn, our managers have good reasons to simply offer us terms which are fair to us and to their customers: