Aspiring to Build a Better Financial World

Remarks by John C. Bogle

Founder and former chief executive of the Vanguard Group

at the

2009 Jake McCandless ’51 Princeton Varsity Club Speaker Series

Princeton, NJ

April 30, 2009

Honored as I am to be part of the Varsity Club Speaker series, I must confess that I have never been much of an athlete. Alas, my driving determination to compete and to win—whether in life or in business—was all too inadequate to overcome my lack of might and muscle and coordination on the fields of athletic combat.

Yet for many reasons, I feel qualified to address you this evening. Even before I entered Princeton as a freshman in 1947, I’ve been a ferocious fan of Tiger sports, reveling in victory and disconsolate in defeat. (It is only in my later years that I came to understand, that, having been witness to both triumph and disaster, I should accept Kipling’s advice, and “treat those two imposters just the same.”)

My claim to legitimacy is further buttressed by my credentials as manager of the Athletic Association Undergraduate Ticket Office during my final two years at Princeton. In the early 1950s, we fielded undefeated football teams, and apportioning tickets when Palmer Stadium was sold-out, Saturday after Saturday, was no easy task. But the pay was pretty good, and it was a job that played to my talents, however limited. Even better, the job gave me some training in tactics (hiring good people); diplomacy (dealing with angry alumni); and even economics (balancing supply and demand).

*The opinions expressed in this speech do not necessarily represent the views of Vanguard’s present management.

As it happened, there was another benefit that was even larger. Partly because so many of us freshman were waiters in Commons (yes, that's the way the world worked at Princeton 60 years ago), I developed lifetime friendships with some of the greatest football players in Princeton's history. A truly remarkable number of these athletes went out into the world and achieved career success that served our society well.

Let me mention just a few of these splendid athletes from the great Class of 1951: George Chandler, business leader; Cliff Kurrus, mortgage banker; Hal Urschel, cardiovascular surgeon; Jack Davison, educator; Reddy Finney, headmaster at Gilman School for 24 years; Hollie Donan, insurance underwriter; Joe Zawadsky, orthopedic surgeon and Tiger team physician; and of course Jake McCandless, whose memory we honor this evening—practitioner of the art of coaching for nearly a quarter-century (including a decade at Princeton), followed by a successful two-decade career as a financial executive.

There's a good message here about Princeton athletics, teamwork, and coaching, but I'll focus my remarks this evening on the role of a Princeton education and on the sense of competitiveness and ethics—yes, ethics—that education at this best old place of all has instilled in so many of her sons, and now daughters. It is, I think, these two factors—competitive zeal and moral values—that have been central to my career-long quest to make the things that I have touched during my long life better than I found them. Hence, the title I've chosen for my remarks this evening—"Aspiring to Build a Better Financial World."[1] I'll talk first about the causes of today's financial crisis, then set out an eminently sensible—if provocative—solution, and close with some reflections on how many, well, "Princeton coincidences" have punctuated my career, and on how the values and character of my Princeton education contributed to my mission.

Causes of the Financial Crisis

Why is it important to build a better world in finance? Because finance provides credit and fosters liquidity, it is the oil that lubricates the machinery of corporate capitalism, an essential element of a flourishing society. But our financial sector has failed us, and bears the overwhelming responsibility for the current economic crisis. The proximate causes of this crisis

[1] I'm mindful of the fact that the theme of Princeton's present capital campaign is "Aspire," in the sense of "ambition to achieve a higher goal." One citation in the Oxford English Dictionary defines *aspire* in especially beautiful terms: "an immense instinct in man's nature (that) points upward, like a spire of flame."

are usually laid to easy credit; the cavalier attitude toward risk of our bankers and investment bankers; “securitization,” in which the traditional link between borrower and lender was severed; the extraordinary leverage built into the financial system by derivative securities of mind-boggling complexity; and the failure of our regulators to do their job.

The Securities & Exchange Commission was almost apathetic in its failure to recognize what was happening in the capital markets. The Commodity Futures Trading Commission allowed the trading and valuation of derivatives to proceed opaquely, without demanding transparency and the sunlight of full disclosure. And let’s not forget Congress, which in the name of “free-market capitalism” rolled back many vital regulations and gutted the Glass-Steagall Act, which, since the early 1930s, had separated traditional banking from investment banking.

Market participants—now dominated by speculators, not investors—also joined the parade of miscreants, and our professional security analysts failed to do their job of appraising company balance sheets, largely ignoring the huge credit risks assumed by the new breed of bankers and investment bankers. And let’s not forget our credit rating agencies, which happily bestowed AAA ratings on securitized loans in return for enormous fees that were paid in return by the issuers themselves. (It’s called “conflict of interest.”) Yes, there’s plenty of blame to pass around.

A Pathological Mutation in Capitalism

But the larger cause of the present crisis was our failure to recognize the sea-change in the nature of capitalism that was occurring right before our eyes. That change, simply put, was the growth of giant business corporations, controlled not by their own shareholders, but by the agents of the ultimate owners. What went wrong in corporate America, aided and abetted by investment America, was a pathological mutation in capitalism—from traditional *owners*’ capitalism, in which the rewards of investing went primarily to those who put up the capital and took the risks, to a new and virulent *managers*’ capitalism, where an excessive share of the rewards of capital investment went to corporate managers and financial intermediaries.

There were two major reasons for this baneful change: First, the old “ownership society” shrank radically in size and importance. Only a half-century ago, 92 percent of all shares of our corporations were held by direct stockholders. Today individual investors own only 25 percent of all shares. In its stead, a new "agency society" emerged, with financial intermediaries now controlling the overwhelming majority of corporate shares. Ownership of U.S. stocks by institutions has soared from 8 percent of all shares 50 years ago to 75 percent today. But those agents haven't behaved as owners. They failed to honor the interest of their *principals*, largely those 100 million families who are the owners of our mutual funds and the beneficiaries of our pension plans.

The second reason is that our new investor agents not only forgot the interests of their *principals*, but also seemed to forget their own investment *principles*. The predominant focus of institutional investment strategy turned from the wisdom of long-term investing, based on the enduring creation of intrinsic corporate values, to the folly of short-term speculation, focused on the ephemeral prices of corporate stocks.

Management became the master of its own numbers, and our public accountants too often went along. In what I've called "the happy conspiracy" between corporate managers, directors, accountants, investment bankers, and institutional owners and renters of stocks, all kinds of bizarre financial engineering took place. Loose accounting standards made it possible to create, often out of thin air, what passes for earnings, even under GAAP standards. One good example—which is already sowing the seeds of yet another financial crisis that is now emerging—is hyping the assumed future returns earned by pension plans, even as rational expectations for future returns deteriorated.

Other examples of financial engineering include post-merger accounting that allows the creation of a veritable "cookie jar" of reserves to be drawn on to create illusory earnings growth later on, even as we learn that some 61 percent of corporate mergers actually destroy shareholder value; failing to include the cost of stock options as a compensation expense (a practice now, happily, prohibited); the concealment of debt by forming special-purpose entities, abused most notably by Enron; and the unwillingness of financial institutions to "mark-to-market" the toxic mortgage-backed bonds that have destroyed their balance sheets. Banks, of course, hate the idea; let's call their preference "mark to management."

Under GAAP, these practices are all, well, legal. Surely it can be said, then, that the problem in such creative financial engineering isn't what's *illegal*. It's what's *legal*. (Indeed, even the back-dating of options—a recent example of the malfeasance of corporate managers—when accounted for properly—is legal.) And so the management consultant's bromide—"If you can measure it, you can manage it"—became the mantra of the chief executive, if not with the knowledge of the directors, at least with their tacit blessing.

In short, the managers of our public corporations came to place their own interests ahead of the interests of their owners, exploiting the powers of their agency, yet unchecked by traditional gatekeepers such as directors, accountants, and regulators, and even the owners themselves. For true owners now play but a small and gradually vanishing role in our investment world. Our now-dominant money manager agents blithely accepted the new environment in which management self-interest held sway. Indeed, they fostered it by accepting as holy writ whatever earnings our corporations reported, and by generally ignoring corporate governance issues such as proxy access, executive compensation, board composition, and even mergers and acquisitions and dividend policy.

Adam Smith presciently described the characteristics of today's corporate and institutional managers (many of which are themselves controlled by giant financial conglomerates) with these words: *Managers of other people's money [rarely] watch over it with the same anxious vigilance with which . . . they watch over their own . . . they very easily give themselves a dispensation. Negligence and profusion must always prevail.*[2]

So what's to be done? I propose that we undertake the "Fiduciary Duty" solution: To create, out of our disappearing ownership society and our failed agency society, a new fiduciary society. Here, our money-manager agents would be required—by federal statute—to place the interests of their principals ahead of their own interests, a consistently enforced public policy that places a clear requirement of fiduciary duty on our financial institutions to serve exclusively the interests of the owner/principals whom they are duty-bound to serve. That duty would require the long overdue return of our institutional agents to traditional standards of professional stewardship; their effective and responsible participation in the governance of our publicly-owned corporations; pressing the managers of the business corporations whose shares are held in their portfolios to govern in the interest of *their* owners; and assuming an ethical responsibility to serve society at large.

[2] In Smith's era, profusion was defined as "lavish or wasteful expenditures, excess amount of money, squandering, waste, etc."

Such a *fiduciary society* would guarantee that those last-line owners—largely the mutual fund shareholders and pension fund beneficiaries who have committed this capital to equity ownership and whose savings are at stake—their rights as investment principals. These rights must include:

(1) The right to have their money-manager/agents act solely in their behalf. The client, in short, must be king.
(2) The right to rely on high professional standards and due diligence on the part of our money managers and securities analysts who appraise securities for our portfolios.[3]
(3) The right to demand some sort of discipline and integrity in the mutual funds and financial products that they offer.
(4) The assurance that our agents will act as responsible corporate citizens, restoring to their principals the neglected rights of stock ownership, and demanding that corporate directors and managers meet the fiduciary duty that they owe to their own shareholders.
(5) The establishment of advisory fee structures that meet a "reasonableness" standard based not only on *rates* but *dollar amounts*, and, importantly, their relationship to the fees and fee structures available to other clients of the manager.
(6) The elimination of all conflicts of interest that could preclude the achievement of these goals.

Of course it will take federal government action to foster the creation of this new fiduciary society that I envision. Above all else, it must be unmistakable that government intends, and is capable of enforcing, standards of trusteeship and fiduciary duty under which money managers operate with the *sole* and *exclusive* purpose of serving the interests of their beneficiaries. In short, allowing "no man to serve two masters."

Together, these changes will compel—and perhaps even inspire—the *principals* of our corporations and our money managers to improve their own ethical *principles.* (One more play on that important distinction!) But we also need to raise our society's expectations that our leaders meet high standards of ethical conduct. So, in addition to Adam Smith's almost universally-

[3] Peter Fisher, widely-respected BlackRock executive and former Treasury Department official, believes we should force institutional investors to do a better job of investment research, and develop and enforce higher minimum standards of competence for security analysts.

known Invisible Hand, we need to call on his almost universally-unknown Impartial Spectator, from Smith's earlier *Theory of Moral Sentiments.*

Just who is this Impartial Spectator? It is, Smith tells us, "the voice who calls to us . . . capable of astonishing the most presumptuous of our passions, that we are but one of the multitude, in no respect better than any other in it; and that when we prefer ourselves so shamefully and so blindly to others, we become the proper objects of resentment, abhorrence, and execration. It is from him only that we learn the real littleness of ourselves. It is this Impartial Spectator . . . who shows us the propriety of generosity and the deformity of injustice; the propriety of resigning the greatest interests of our own, for the yet greater interests of others . . . in order to obtain the greatest benefit to ourselves. It is not the love of our neighbour, it is not the love of mankind, which upon many occasions prompts us to the practice of those divine virtues. It is a stronger love, a more powerful affection, the love of what is honourable and noble, the grandeur, and dignity, and superiority of our own characters."

Alan Greenspan and the Bubble

It is fair to say that the failure to honor those lofty standards played an important role in creating the recent crisis. Indeed, one Vanguard shareholder described it as "a crisis of ethic proportions" (a nice variation on the standard "epic" proportions), the title that I used for my op-ed essay published in *The Wall Street Journal* a week ago. For the decline in ethical values played a major role in the failure of managerial capitalism and—managerial *capitalist*s—that led to the financial bubble, and the burst that inevitably followed.

While former Federal Reserve Chairman Alan Greenspan believed that competition and free markets would reward trust and integrity, he seemed unmindful of this sea-change in capitalism that was occurring. To his credit, Greenspan admitted his mistake. In his testimony before Congress last October, he acknowledged that the crisis had been prompted by " . . . the collapse of a whole intellectual edifice . . . Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity—myself especially—are in a state of shocked disbelief," he said. This failure of self-interest to provide self-regulation was, he added, "a flaw in the model that I perceived as the critical functioning structure that defines how the world works."

It's worth dwelling on that phrase: "*the critical functioning structure that defines how the world works*." As the *New Yorker* writer John Lanchester observed: "That's a hell of a big thing to find a flaw in." Lanchester continued: "the people in power thought they knew more than they did. The bankers evidently knew too much math and not enough history—or maybe they didn't know enough of either." Think about it: In our financial system, we have ignored both math and history, and largely focus our expectations on the returns that the financial markets may deliver. We've also ignored the exorbitant costs extracted from our returns by Wall Street traders and money managers, costs that substantially diminish—indeed often overwhelm—our participation in the returns that our corporations earn and the excessive taxes that we incur in this era of record levels of speculative trading. Together, these costs have devastated the *real* (inflation-adjusted) returns that remain for investors.

In all, our now-dominant money management sector has turned its focus away from the enduring nature of the intrinsic value of the goods and services created, produced, and distributed by our corporate businesses, and toward the ephemeral price of the corporation's stock—the triumph of perception over reality. We live in a world in which it is far easier to hype the price of a company's stock than it is to build the intrinsic value of the corporation itself. And we seem to have forgotten the legendary Benjamin Graham's warning against focusing on short-term perception, rather than on long-term reality: "In the short run, the stock market is a voting machine; in the long run it is a weighing machine."

An Historic Distinction

Consider with me now how the erosion in the conduct, values, and ethics of business has been fostered by the profound—and largely unnoticed—change that I have described in the nature of our financial markets. That change reflects two radically different views of what investing is all about, two distinct markets. One is the *real* market of intrinsic business value. The other is the *expectations* market of momentary stock prices.

It's a curious coincidence that I've been concerned about this sharp dichotomy ever since I first encountered it in my study of economics at Princeton University. Really! In my 1951 senior thesis, inspired by a 1949 article in FORTUNE on the then "tiny but contentious Mutual Fund industry," I cited the distinction made by the great British economist John Maynard Keynes between *enterprise* ("forecasting the prospective yield of the asset over its whole life") and *speculation* ("forecasting the psychology of the markets").

Keynes was deeply concerned about the societal implications of the growing role of short-term speculation on stock prices. "A conventional valuation [of stocks] which is established [by] the mass psychology of a large number of ignorant individuals," he wrote, "is liable to change violently as the result of a sudden fluctuation of opinion due to factors which do not really matter much to the prospective yield . . . resulting in unreasoning waves of optimistic and pessimistic sentiment."

Then, prophetically, Lord Keynes predicted that this trend would intensify, as even "expert professionals, possessing judgment and knowledge beyond that of the average private investor would become concerned, not with making superior long-term forecasts of the probable yield on an investment over its entire life, but with forecasting changes in the conventional valuation a short time ahead of the general public." As a result, Keynes warned, the stock market would become "a battle of wits to anticipate the basis of conventional valuation a few months hence rather than the prospective yield of an investment over a long term of years."

In my thesis, I cited those very words, and then had the temerity to disagree with the great man. Portfolio managers, in what I predicted—accurately, as it turned out—would become a far larger mutual fund industry, would "supply the market with a demand for securities that is *steady, sophisticated, enlightened, and analytic* [italics added], a demand that is based essentially on the [intrinsic] performance of a corporation [Keynes's *enterprise*], rather than the public appraisal of the value of a share, that is, its price [Keynes's *speculation*]."

Alas, the steady sophisticated, enlightened, and analytic demand I had predicted from our expert professional investors is now nowhere to be seen. Quite the contrary! Our money managers, following Oscar Wilde's definition of the cynic, seem to know "the price of everything but the value of nothing." Portfolio turnover of equity mutual funds, then running steadily about 15 percent, year after year—has soared in recent years to more than 100 percent—an average holding period of less than one year. So, a half-century-plus after I wrote those words in my thesis, I must reluctantly concede the obvious: Keynes' sophisticated cynicism was right, and Bogle's callow idealism was wrong. But that doesn't mean we should let that system prevail forever.

Why? Because our society is paying a high price for the shift that Keynes so accurately predicted. As professional institutional investors moved their focus from the wisdom of long-term investment to the folly of short-term speculation, "the capital development of the country [became] a by-product of the activities of a casino." Just as he warned, "when enterprise becomes a mere bubble on a whirlpool of speculation, the job of capitalism is likely to be ill-done." And that is one thing that we can't allow to endure.

A Princeton Education

I freely confess that I am struck by the confluence of the simple arithmetic of investing and the simplistic virtue of ethical values that have shaped my long career. Both were inspired by my Princeton education and frequent encounters with remarkable Princetonians, beginning with my mentor Walter L. Morgan, '20, and surely enhanced by my brother-in-law John J.F. (Jay) Sherrerd '52, the late great Princeton Trustee. In my recent years especially, I've reflected on the relationship between these keystones of simple arithmetic and simple values, and how they paralleled my awakened interest in the culture of engineering and my long-standing love for the humanities.

In retrospect, I fear that I was too narrow, too cautious in selecting my courses at Princeton. Had I had time to do it all over (and could erase the limitations of time and space), I'd leap into Anthony Raubitschek's classics courses; David Billington's course on "Engineering in the Modern World"; Burt Malkiel's finance course; Bob Hollander's exploration of Dante; Uve Reinhardt's accounting course (that in fact transcended mere accounting); one of Lionel Gossman's courses in European literature; John McPhee's creative writing seminar (though I doubt I'd get admitted!); and a survey course on the roots of Western Civilization.

That I won't get the opportunity to choose this broad-based curriculum is not really the point. Rather, I have come to believe that we need to better educate our college students in *both* of the traditionally-separate cultures of scientific inquiry and engineering and the precious values of our humanistic heritage—call it Western Civilization, if you will—by common understanding and respect. In fact, we seem to be losing sight of both, and our loss is our society's loss. The work of two fellow Princetonians has reinforced my interest in both cultures.

First, the Culture of the Engineer

In engineering, while I've come to be skeptical about the rise of *financial* engineering—which in the aggregate, by definition, *subtracts* value from society[4]—I find myself almost transfixed by the beauty of mechanical engineering, civil engineering, aeronautical engineering, chemical engineering, and a host of related subjects, all of which *add* value to our lives.

During the years after Princeton, I have come to deeply respect the precision and rationality of the engineer's mind. Yes, as Professor David Billington, legendary teacher and member of the Class of 1950, points out in his remarkable book, *Power, Speed, and Form*,[5] the engineering profession has been isolated from society. We think of engineering as complex beyond comprehension, but in fact, as Dr. Billington points out, most radical innovations in engineering thought have been based, not on complexity, but on "the simplicity of the basic ideas."

In his book, Dr. Billington calls attention to the fact that the ideas of many of our greatest engineers—including Alexander Graham Bell, Thomas Edison, and Henry Ford—were "immersed in established technologies and ways of doing things." The best engineers, he notes, have sought the *economical* over the costly, the *efficient* over the less efficient, and, where possible, the *elegant* over the ugly.

It's probably just one more crazy coincidence in my Princeton life, but I'm struck by the realization that in my thesis I used an almost identical formulation. I called for mutual funds to be operated in "the most *economical*, most *efficient*, and most *honest* way possible. The first two words are the same in David Billington's mantra. His third was *elegance*, applied to engineering design. Perhaps it is not far-fetched to see the elegance in investing as represented by the beauty represented in the all-too-rare simple honesty of the best financial "products" yet created.

Perhaps immodestly, I'd include the world's first index mutual fund in that category, the simplest basic idea in financial history. In yet one more coincidence, the seed for that idea was planted right here in Princeton in my senior thesis. Just own the entire stock market and hold it

[4] See "A Question So Important That It Should Be Hard To Think About Anything Else," John C. Bogle, *Journal of Portfolio Management*, Spring 2008.
[5] Subtitled *Engineers and the Making of the Twentieth Century*. Published by Princeton University Press in 2006.

forever; and own it through a company with a truly mutual structure, a company where serving two masters is anathema, and where the rewards of investing go to the investors rather than to the managers.

In a sense, most of the funds Vanguard offers are products of simple arithmetic, a reflection of these words of Sophocles': "Remember, O Stranger, that arithmetic is the first of the sciences, and the mother of safety." Yes, arithmetic and engineering.

So Next Let's Consider the Culture of the Humanist

Even as Princetonian David Billington became one of my guiding spirits on the culture of the engineer, so Elliot McGucken, Princeton Class of 1992, has lifted my spirits on the culture of the humanist. Dr. McGucken received a B.A. in Physics from Princeton, and earned a Ph.D. in physics at University North Carolina in Chapel Hill. Now teaching at Pepperdine University, he has created a business school course entitled "Artistic Entrepreneurship and Technology," linking today's Information Age to the great values of Western Civilization. His required reading list includes Homer's *Odyssey*, and Dante's *Inferno*.

Believe it or not, "Dr. E." discovered my 2005 book, *The Battle for the Soul of Capitalism* when he was browsing in a bookstore. It formed one of three foundations for reading in his course. When he told me that, of course I was thrilled. (Heck, truth told, *astonished*!) But hear the concern McGucken expresses as he explains what is happening to Humanistic education, in words far better than my own:

> When I first embarked on this venture four years ago, I had thought that *common sense* would be a bit more *common*, and that Homer and Bogle would naturally and immediately prevail in the academy with nary a battle. Well, amongst the students a vast market exists for the words that speak to the immortal sensibilities of their souls (and thus time is on our side!), but the modern university's bureaucracy has evolved to oppose classical wisdom, as has Wall Street and our government, which all too often see more profit in trying to purchase virtue and enduring wealth via mere money; rather than focusing first on virtue and 'doing the right thing,' reminding us of Socrates belief that we should 'care about the greatest improvement of the soul . . .

> virtue is not given by money, but from virtue comes money and every other good of man.'
>
> During each faculty meeting, he continues, I need to justify why I am teaching Homer and Socrates in a business class of all things. I have been tempted to ask the question, 'Well, can you find anything of greater and more-enduring value?' But I have refrained . . . despite the daily news which screams at us regarding the epic failures of the current system and all that the soulless MBA curriculum hath wrought, the contemporary academy yet refuses to see, because the MBA is a license to partake in the $500 billion of innovation-free, annual wealth-transfer [to the financial sector] that compromises, erodes, and opposes capitalism's moral premises. The risk-taker ought to get the reward, and the primary purpose of an institution ought to be to *serve*—not to tempt and take.

Quoting from *Who Killed Homer*, McGucken notes that "This ignorance of Greek wisdom should be of crucial interest to every American. The Greeks bequeathed us constitutional government, individual rights, freedom of expression, an open economy, civilian control of the military, separation of religious and political authority, private property, free scientific inquiry and open dissent. But it is foolish—and dangerous—to embrace these conventions . . . without understanding that the Greeks also insisted that such energy was to be monitored and restrained by a host of cultural protocols that have nearly disappeared: civic responsibility, philanthropy, a world view that is rather absolute, a brief that life is not nice, but tragic and ephemeral . . . an entire way of looking at the world, a way diametrically opposite to the new gods that now drive America: therapeutics, moral relativism, blind allegiance to progress and the glorification of material culture."

So you can see why Dr. E and I get along so well! We have reached common ground in loving the classics and in seeking the triumph of virtue and ethics—and even fiduciary duty!—over the vanishing values of the day. It is time to accept our responsibility to reverse the recent triumph of unfettered business conduct, and fight to restore the professional conduct that once permeated our society.

“A Moral History of U.S. Business”

I close by coming full circle from my Princeton education that began all those years ago; through my career, my battles, and my mission to establish new standards of investment strategy; my ever-growing confidence that the unbending rules of engineering combined with the unbending standards of ethical conduct will come and will benefit our society. So I now move, finally, to one more Princeton coincidence that has remained with me even 60 years after my thesis research began.

In that same December 1949 issue of FORTUNE magazine, when a chance reading of the article that led me to the mutual fund industry and to my thesis, there was another essay, long forgotten, but now at the front of my mind. It was lengthy (nine pages), and was entitled “The Moral History of U.S. Business.” The article reviews how six generations of businessmen have sought to harmonize their business success with moral purpose. It asks executives, “What are the moral credentials for the social position [and political power] they wield.” When the article described the extra-pecuniary motives that lay behind their labors, it mentioned “love of power and prestige, altruism, pugnacity, patriotism, and the hope of being remembered through a product or institution.” Those words, for better or worse, seemed to aptly describe my own career, and I could feel the author gazing at me with a disapproving stare.

But a later quotation, believe it or not, seemed even *more* focused on the likes of me. Quoting William Parsons, a mid-19th century New Yorker of probity the essay continued, “The good merchant, though an enterprising man and willing to run some risks, yet is not willing to risk everything, nor put all on the hazard of a single throw . . . Above all, he makes it a matter of conscience not to risk in hazardous enterprises the property of others entrusted to his keeping . . . He is careful to indulge in no extravagance, and to live within his means . . . Simple in his manner and unostentatious in his habits of life, he abstains from all frivolities and foolish expenditures . . . He recollects that he is not merely a merchant, but a man, and that he has a mind to improve, a heart to cultivate, a character to form.”

So here we are. All these years after my Princeton graduation, and all those years in which Princeton returned to my mind and my life through one connecting coincidence after another, to this very evening, I look at those words as if they were my own. A mind to improve? Inspired by my education, I pursue that quest virtually continuously, and hope my remarks this evening do not belie my claim. A heart to cultivate? Of course. But not the heart that finally expired in 1996 after almost 67 years of wear and tear. A new heart—now but 39 years old—that demands that my energies be used for a worthwhile cause. A character to form? Surely that, but as I reach the age of 80 a week from tomorrow, it's likely to be difficult to alter my now-deeply-imbedded character very much. So I guess I'll just have to drive to raise the character of our financial sector and our society to a higher standard, yes, returning to my title, as I "aspire to build a better financial world."