

OPINION

OUTLOOK

Fannie Test

we hear conflicting legal claims—Mr. Paulson should seek it from Congress.

The Secretary could then appoint a prominent financial figure with bipartisan credibility as a receivership czar, with a mission to protect taxpayer interests. A czar would have the power to replace Fan and Fred's management directors, as well as give priority to taxpayers above the current private shareholders if the government does inject capital.

It's true that this might well require a sizeable up-front taxpayer contribution. But as of Sunday, the taxpayers know they are on the hook for big losses in any case. Putting such companies in federal receivership would isolate them from a political class that has proven itself unable or unwilling to control the risks. Without such a move, the companies could easily use the taxpayer cash as protection in the short run, emerging both larger and more dangerous. Mr. Paulson will have to be stripped naked twice.

Receivership doesn't mean the companies fold up overnight. They continue to hold billions of dollars in mortgage assets, and would continue to buy and package mortgages. But as a first priority, a receiver would be able to rein in their portfolios of mortgage-backed securities (about \$1.5 trillion now) which are a major source of their risk. Down the road, as the mortgage crisis eases, the receiver could decide whether to wind the companies down, sell them in parts to the private sector, or let them continue in far more restructured form.

Keep in mind that these semi-socialist gimmicks (private profit, public risk) were invented in an era when mortgages were sold and held by the same lender. The idea that Fannie and Freddie, by buying and servicing those loans, could supply more liquidity to the mortgage market. Whether or not that taxpayer risk was worth it at the time, it clearly isn't now that the bill is coming due and private companies can do the same thing.

The receivership option would also help Mr. Paulson get out ahead of the many other pending financial problems. IndyMac Bank's failure (see below) is only the first of many failures to come, and Treasury is going to have its hands full. The airline and car companies may follow. Putting Fan and Fred in federal hands now will reassure investors that at least one risk is being well managed, and allaying public fear that the government is overwhelmed.

LETTERS TO THE EDITOR

Should the Chairman and CEO Be One or Two People?

In regard to Gary Wilson's "How to Rein in the Imperial CEO" (op-ed, July 9): The truth is that concentrated power in the hands of a capable executive leverages his or her ability to run the business. And that is a good thing. As evidenced by the Michael Eisner example, calls for the separation of chairman and CEO are proof, not of progressive corporate governance policy, but of the existence of deficient management. If, as his reference to European pay scales would suggest, exorbitant pay is the problem his proposal is to solve, a better solution is to allow the shareholders an advisory vote on compensation.

RYAN BARNES
Columbus, Ga.

Most shareholders like myself fume when we hear of obsessive CEO perks, sweetheart pensions and extravagant corporate waste. It just seems that Mr. Wilson is the wrong guy to point it out since he and his board's moves wiped billions off Yahoo's market cap. I sure hope Mr. Wilson and his companions eventually enrich Yahoo shareholders like they are supposed to, but for now he seems to have a lot morechutzpah than credibility.

KENNETH SCHNOLL
Mahwah, N.J.

I am not concerned about who is chairman, or who is CEO, or if they are one and the same. I can't change the fact that the CEO is a strong

charismatic personality. What can be changed is who is setting the agenda for board discussion. The person who drives the agenda drives the board.

Every board should have an agenda committee. The committee should consist of the strongest two independent directors and the CEO. The chairman of the agenda committee should be an independent director, not the CEO. This arrangement should at least ensure that the right issues are being brought to the board. If the board, at that point, doesn't have the backbone to stand up to the CEO, shareholders need to replace the board or sell their stock and invest in another company. By the way, the imperial CEO is generally the CEO who leads a company into shareholder and Securities and Exchange Commission lawsuits. What was the CEO role at Enron, WorldCom, Tyco and HealthSouth?

DAVE GUENTHNER
Omaha, Neb.

There are costs and benefits to both options. Clearly, though, many shareholders still see reason for a combined role, as evidenced by Exxon Mobil shareholders' recent decision to ignore the persnickety Rockefeller heirs' nonbinding resolution and confirm Rex Tillerson's position as both chairman and CEO.

Avoiding conflicts of interest depends more on the executive's character than on his or her position on the board.

While Mr. Wilson raises appropriate concerns, he should refrain from offering a panacea for the nation's corporate governance woes. Every situation is different, and each warrants a nuanced approach.

RYAN KRAUSE
Arlington Heights, Ill.

I have another idea. Instead of legally requiring companies to split the functions of chairman and CEO, what if we gave shareholders the right to vote on the matter? We could call it something like a "shareholder resolution." Admittedly, my ideas would force companies to deal with the whims of their numerous shareholders, instead of relying on the good offices of a local attorney general or district attorney to help run the company, but no plan is perfect.

J. H. COLTER
Lindon, Utah

Gary Wilson is right on. From 1982 to 1988 I managed my company's business in Eastern Europe and the Soviet Union, and studied their political systems closely.

I was immediately struck by the strong similarities of the Soviet Politburo and the board of a typical U.S. public corporation. Both were headed by an all-powerful general secretary/chairman or CEO who handpicked the politburo/board members, lived lavishly, answered to no one, and, largely, ruled with an iron fist.

STEPHEN R.S. MARTIN
Scottsdale, Ariz.

I'm Trying to Protect Consumers, Not Speculators

Kimberley Strassel misses the point in her column about oil market speculation ("Dick Durbin and the Chicago Boys," Potomac Watch, July 11).

My bill to curb excessive speculation that's driving up prices in the oil market isn't about protecting the Chicago futures industry; it's about protecting consumers who

The volume of futures trading has risen more than tenfold since 1997, while the staff of the CFTC has fallen by 21%. We need more people investigating market manipulation and putting a stop to it. But those investigators need more information to detect unfair speculation in the markets.

The CFTC needs more detailed reporting by the index funds and swap dealers who take long positions that might drive up the price of oil. My legislation would make that information available.

These measures—closing loopholes, increasing regulatory resources, and increasing transparency—are steps