



THE BRETTON WOODS COMMITTEE TRIBUTE TO PAUL VOLCKER

The Bretton Woods Committee 20th Anniversary Gala Awards Dinner Honoring Paul Volcker

June 10, 2004
Waldorf-Astoria
New York, New York



Paul Volcker

The first Global Leadership Award was given to Paul Volcker at a gala tribute on June 10, 2004 in New York City. The award was in honor of his lifetime of public service to the nation and to the world. Mr. Volcker was Co-Chairman of the Bretton Woods Committee from 1989 to 1999.

Prior to the award dinner, a symposium was held on The Bretton Woods Institutions in the 21st Century. New York Federal Reserve President Tim Geithner proposed IMF reforms to assist in reducing vulnerabilities for emerging market economies. Citibank Chairman Bill Rhodes reminded the audience of the private sector's role and needs. Richard Frank, CEO of Darby Overseas Investments and former Managing Director of the World Bank Group, called for changing the World Bank's Articles of Agreement to allow for greater lending flexibility for sub-sovereign borrowers and transfer capital to IFC and MIGA to support their private sector operations.

The symposium was followed by a reception and dinner attended by financial and corporate leaders past and present, special guests, and a number of senior government officials. Most attendees thought the dinner tribute to Paul was both elegant and moving. One of the two organizing chairmen, Jerry Corrigan, presented a serious but touching and heartfelt tribute to Paul, reading from letters from 4 presidents, a governor, the Fed Chairman and a leading member of Congress. Jim Wolfensohn, the other organizing chairman, gave Paul a humorous 'roasting' in a way only a close friend and former employer could. It was a wonderful combination.

The Bretton Woods Committee is grateful to all who took part and especially to those that made contributions to the benefit. From a fundraising standpoint, we surpassed our goal and have created a substantial financial reserve for the future.

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Program

Symposium

"The Bretton Woods Institutions in the 21st Century"

Presenters:

Timothy F. Geithner
President, Federal Reserve Bank of New York

William R. Rhodes
Chairman, Citibank, NA and Senior Vice Chairman, Citigroup, Inc.

Richard H. Frank
Chief Executive Officer, Darby Overseas Investments, Ltd.
and Former Managing Director, The World Bank Group

Reception

Gala Dinner

Welcoming Comments:

E. Gerald Corrigan
James D. Wolfensohn

Presentation of the Global Leadership Award

Paul A. Volcker is the first recipient of The Bretton Woods Committee Global Leadership Award. The award was presented to Mr. Volcker in honor of his lifetime of public service to the nation and to the world.



All photos by Lou Manna.

Jerry Corrigan and Jim Wolfensohn present the Global Leadership Award to Paul Volcker.

Mr. Timothy Geithner President and CEO, Federal Reserve Bank of New York



Timothy Geithner

There has been marked progress over the past decade in reducing the vulnerability of emerging markets to financial crisis. However a number of areas of lingering vulnerability remain. Some of the most daunting are in the fiscal and public debt areas, where high public debt burdens and vulnerable debt structures expose countries to significant risk. Important challenges remain in the financial area as well, and the exposure of the IMF and the multi-lateral development banks is already high.

Many emerging markets face a protracted transition before they can achieve sufficient levels of self-insurance against external and domestic challenges to financial stability. One of the most pressing challenges for the Fund is to help assist in this process of reducing vulnerability, by promoting an unwinding of these large balance sheet risks and providing a credible form of contingent insurance for circumstances in which its members face extraordinary financing needs.

By adopting four evolutionary reforms -- a risk based approach for focusing the Fund's crisis prevention work; a more intensive framework for the surveillance process to provide a stronger anchor

Mr. Geithner addressed the Fund's role in promoting financial resilience and mitigating crises in emerging market countries. This as an area within the Fund's mandate where there is greater distance between the present situation and the achievable frontier.

for the member's economic program; a reinforced framework for providing support to countries undertaking a debt restructuring; and a more credible form of financial insurance that creates better incentives for stronger policies in advance of crisis -- the Fund would be better enabled to meet the challenges ahead.

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The responsibility for implementing sound policy rests with member governments, but the Fund can do more to guide and encourage reform. To better contribute, the Fund probably needs to increase the ambition of its policy recommendations, and to focus more on the key sources of near-term vulnerability, incorporating a risk-based framework for determining policy priorities.



Geithner discusses changes at the IMF.



Jack Boorman of the IMF during the question & answer period.

Today's surveillance framework is poorly suited to the needs of emerging market economies that have limited credibility and considerable exposure to a rapidly changing economic and financial environment. A promising approach would entail more frequent, published staff assessments of performance, supported by contingent access to Fund resources. Stress tests and benchmarking of progress and vulnerability could play a key role in such assessments. Such an approach would better position the Fund to catalyze more reform sooner, and reduce the likelihood and severity of future crises.

"These evolutionary proposals would not require major institutional change. But they would help position the Fund to deal with future financial pressure in emerging markets..."

The framework for supporting countries in arrears to private creditors should be reinforced by requiring two conditions be met before the IMF lends. First, the country must commit to a credible medium-term adjustment program that offers the prospect of a successful restructuring and a reasonably early return to the capital markets. And second, the country must outline to the Fund and its creditors a credible and

monitorable framework for cooperatively achieving a viable debt restructuring, one that leaves the country with a sustainable debt burden.

The Fund has taken a number of important steps to make its financial instruments more effective. Building on this progress, key elements of a credible insurance mechanism include conditioning support on policy efforts that are strong and timely enough to restore confidence, preserving flexibility to tailor the size and the degree of front loading to the circumstances and the borrower's policy efforts, standing ready to support countries pursuing reasonable restructuring proposals, and building in a more credible capacity for the Fund to withstand arrears.

These evolutionary proposals would not require major institutional change. But they would help position the Fund to deal with future financial pressure in emerging markets, an important goal, given the magnitude of the challenges that still confront many emerging market economies.



The Symposium was held in the Hilton Room of the Waldorf-Astoria.

William R. Rhodes Chairman, Citibank N.A. and Senior Vice Chairman, Citigroup Inc.



Bill Rhodes

Mr. Rhodes addressed the role of the IMF going forward from the private sector perspective.

Two factors should remain constant as the IMF moves forward: support of meaningful adjustment reform policies must continue to meet the high standards it has developed over the

decades and its role as a catalyst for private sector finance to ensure that countries have access to the resources they need to grow.

Rhodes cited several crises (LDC debt crisis, Mexico, Thailand, Korea, Asia, Russia, Turkey, Brazil, and Argentina) from the past 20 years in which the IMF has employed programs of substantial financial support. Experience has shown that good policy and official financing restore investor confidence.

Financial assistance must sometimes be accompanied by additional policies to restore private capital flows. Such complements include the creation of strong and convincing programs, a will to implement them, a large and prompt injection of liquidity from the Fund and other IFIs, bilateral creditors and restructuring by foreign banks.

One key ingredient for private sector participation is that the adjustment and reform programs must be convincing to private creditors. To this end, the IMF should increase efforts to insure that its programs sufficiently reflect market perspectives.

In other instances, such as the case of Brazil and the election of the Lula government in 2002, it

has required more than just an approval of a Fund program to calm investor uncertainty. Restoration of private flows to Brazil required a combination of the authorities consultation with the markets, the subsequent agreement by the banks to maintain trade and inter-bank lines and the early commitment by the incoming government to continue reforms and sensible macro economic policies.

The IMF should increase efforts to insure that its programs sufficiently reflect market perspectives.

Rhodes pointed to several ways the IMF must improve, from the point of view of a private sector participant. He cited the need for more emphasis on crisis prevention, including strengthening of Article 4 consultation, and increased transparency. The Fund must enhance its credibility by working with the private sector to create an informed market perspective and to balance the dual role of creditor and arbiter. Finally, he noted that the Fund must demonstrate commitment to consistently upholding its own stated principles.



The Gala attracted international dignitaries, the New York financial community, Washington policymakers, and the leaders of the International Financial Institutions.

Richard H. Frank
Chief Executive Officer, Darby Overseas Investment



Richard Frank, with Jerry Corrigan and Timothy Geithner

Mr. Frank cited as inspiration for his remarks the report entitled, "Bretton Woods: Looking to the Future," produced by a Commission chaired by Paul Volcker and contended that "Of the challenges facing the World Bank Group, none is greater than adapting to a world that has turned from public sector dominance towards private enterprise and free markets. A private sector orientation is a new one for development assistance, and the World Bank Group should lead the way."

Most importantly the Bank Group must stay focused on economic growth as the key to reducing poverty and avoid excessive expansion of its programs and priorities.

The past 60 years have seen new Bank group institutions created to meet changes and challenges; the IFC for private sector support, IDA for the poorest countries, and MIGA to catalyze foreign direct investment. The Bank's own scope of operation has expanded dramatically and the Group's financing has totaled more than \$500b. The non-financial contributions of the Bank Group have also been very important.

The sixtieth birthday of the Institutions begs the

question, is the World Bank Group sufficiently up-to-date in its approaches and structures to best support its members in a very changed world?

Frank reviewed four areas of far-reaching economic change, the first of which is the transition of many countries from a "command" economic system to a "market" economic system. The Bank's mandate remains lending to governments. Ways must be found to strengthen the World Bank Group's focus and support for private sector led development.

Another is the reduction of the role of national sovereign governments in providing public sector investment in areas not taken up by the private sector. The Bank cannot lend to sub-sovereign entities unless they obtain national sovereign guarantees, undermining the establishment of greater fiscal responsibility and accountability on the shoulders of state governors and city mayors.

The exceptional increase in access to international private capital by the emerging market economies is another instance of a changed development aid context. Bank lending has remained flat over recent years, while private capital flows have skyrocketed. The Bank's policy leverage is tied to its lending and



Toyoo Gyohden & Ambassador Mahubani

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if demand for its resources falls, then so does its influence.

Finally, additional means of financing essential infrastructure projects and enterprises must be found. Current needs are way beyond the capacity of the private capital markets acting alone. The public sector and the World Bank Group need to find creative ways to enhance the private sector's ability to provide the required funding.

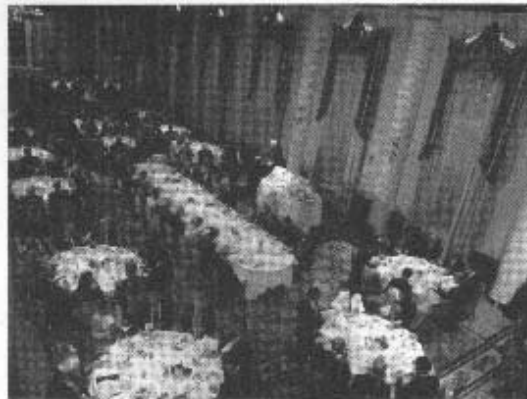
Frank offered three proposals to the shareholders of the World Bank Group. The Bank's Articles need to be changed to allow for greater lending flexibility, enabling both the World Bank and IDA to lend directly to sub-sovereign entities. Capital should be transferred from the Bank to

The sixtieth birthday of the Institutions begs the question, is the World Bank Group sufficiently up-to-date in its approaches and structures to best support its members in a very changed world?

IFC and MIGA, as needed, to create a better alignment in the Group's financial capacity in a changed "market" driven world. The World Bank Group needs to offer more creative types of risk mitigation and catalytic support for private sector investment, notably in infrastructure financing.

Most importantly the Bank Group must stay focused on economic growth as the key to reducing poverty and avoid excessive expansion of its programs and priorities.

Mr. Frank concluded by asserting that the World Bank Group's shareholders again need to demonstrate the decisiveness that they displayed in the past, to take the steps that can enable the world's leading multilateral development group to play a more effective and focused role in a changing global economy.



The gala dinner was held in the Starlight Roof of the Waldorf-Astoria.



Paul Volcker, flanked by letters of congratulations from U.S. Presidents and others, addresses friends and colleagues.



Paul Volcker and Jon Wolfensohn

THE BRETTON WOODS COMMITTEE

The Bretton Woods Committee wishes to thank the sponsors of the Tribute to Paul Volcker.

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The Bretton Woods Committee

The Bretton Woods Committee is a bipartisan group of distinguished citizens dedicated to increasing understanding of the vital role that the international financial institutions play in promoting growth and stability for the U.S. and global economy. The Committee urges governments to work cooperatively to solve problems through the Bretton Woods Institutions.

Now beginning its 20th anniversary year, the Bretton Woods Committee conducts a vigorous public education program and encourages the legislature to provide needed support to the international financial institutions. The Committee also works alongside government leaders and international officials to advance an effective reform agenda at the World Bank, the IMF and the WTO.

The Bretton Woods Committee organizes conferences and seminars to discuss international economic issues. The Committee holds small discussion sessions with leaders from the private sector and government to consider important policy issues and reports to the public on the outcome. The group's Annual Meeting held in Washington is a high profile event, which attracts cabinet-level speakers and other leading experts to discuss the health of the international economy and the role of the multilateral institutions.

The Committee publishes a quarterly newsletter and other reports, as circumstances warrant. The Committee's 'Critical Issues Forum' provides expert perspectives on important issues relating to international finance, trade and development, and multilateral architecture.

www.brettonwoods.org