

What Financial Leaders and Experts Are Saying About The Private Equity Economy

Income Inequality

“This (growing inequality) is not the type of thing which a democratic society can really accept without addressing.”

– *Former Federal Reserve Chair Alan Greenspan*¹

Conflicts of Interest

“We are totally conflicted — get used to it.”

– *Morgan Stanley Vice Chairman of Investment Banking Robert Kindler*²

Debt Risk

“I am not a forecaster of the future; I’m a historian. And history says this will blow up. It always has. And there will be some blood on the street.”

– *Wells Fargo & Co. CEO Richard Kovacevich*³

“We are close to a time when we’ll look back and say we did some stupid things... We need a little more sanity in a period in which everyone feels invincible and thinks this is different.”

– *Bank of America CEO Kenneth Lewis*⁴

“[T]he fabulous profits that we have been able to generate for our limited partners are not solely a function of our investment genius, but have resulted in large part from a great market and the availability of enormous amounts of cheap debt. . . . Frankly, there is so much liquidity in the world financial system, that lenders (even ‘our’ lenders) are making very risky credit decisions. This debt has enabled us to do transactions that were previously unimaginable.”

– *Carlyle Group Co-founder Bill Conway*⁵

Private Equity Exuberance

“This is going to end with people getting sand-bagged the same way they did in the tech boom.”

– *Keefe Bruyette & Woods, Inc Chairman and CEO John Duffy*⁶

“[I]n a market as frenzied as this, there will eventually be one difficult private equity deal where the bank is left holding the equity and trying to plug the hole blown through its books.”

– *Financial Times Columnist Lina Saigol*,⁷

Cost Cutting

“Their success has put pressure on many public companies to adopt their strategies and tactics -- whether it’s being ruthless in reducing costs or taking on more leverage or giving big pay packages to top managers.”

– *Washington Post Columnist Steven Pearlstein*⁸

Transparency

“We have got to move out of the shadows and open up to scrutiny and regulation. It’s not that tough. And actually it’s a good discipline.”

– *3i Global Head of Buyouts Jonathan Russell*⁹

“We should act like a public industry. The funds are private but they are so large that we need to deal with the public, with labor unions, with environmental groups, as if they [private equity funds] are a public company.”

– *Carlyle Group Co-founder David Rubenstein*¹⁰

¹ June 2005 Congressional Joint Economic Committee hearing, as quoted in the *Christian Science Monitor*, “Rich-poor gap gaining attention,” By Peter Grier, June 14, 2005.

² Speaking at the Tulane Law School’s Corporate Law Institute, as quoted in the *New York Times Dealbook*, “Investment Banks’ Brave, New, Conflicted World,” March 29, 2007

³ *Bloomberg*, “Bank of America’s Lewis Calls for Lending ‘Sanity,’” By Warren Giles and Mark Pittman, May 9, 2007

⁴ *Bloomberg*, “Bank of America’s Lewis Calls for Lending ‘Sanity,’” By Warren Giles and Mark Pittman, May 9, 2007

⁵ *Washington Post* “Making a Play For the Dumb Money,” By Steven Pearlstein, March 21, 2007

⁶ *Crain’s New York Business*, “KBW chief cautious on private-equity frenzy,” By Aaron Epstein, May 8, 2007

⁷ *Financial Times*, “Russian Roulette of Bridge Equity,” By Lina Saigol, May 13, 2007

⁸ *Washington Post* “Private Equity’s Bottom Line for Workers,” By Steven Pearlstein, April 4, 2007

⁹ Speaking at the “Super Return” Conference in Frankfurt Germany as quoted in the *International Herald Tribune*, “Buyout groups to review their disclosure practices,” By Edward Evans, Bloomberg News, March 2, 2007

¹⁰ Speaking at the “Super Return” Conference in Frankfurt Germany as quoted by Union Network International, “Another turbulent week for private equity and ‘rodeo capitalism’” on <http://www.union-network.org/uniindep.nsf/53d0d8029c2826f5c125682c0048c3c1/3867592ef0d77fabcl2572970054533c?OpenDocument>