

Investment Forum Program for Wednesday, February 25 at 11:30

Future Meeting Schedule

Starting next week, the forum will meet at 10:00 until the OLLI Spring Program begins on March 25.

Nationalizing Banks: Voices as disparate as former Federal Reserve Chairman Alan Greenspan, Nobel Laureate economist Professor Joseph Stiglitz and Senators Chris Dodd and Lindsey Graham are openly discussing nationalizing banks. Were that to happen, it would surely give new meaning to the term "First National Bank." But, the very thought strikes horror on Wall Street. Robert Albertson, Chief Strategist at Sandler O'Neill, is quoted on the PBS *Nightly Business Report* as follows: "There's no such thing as temporary nationalization. Once you've done it, you have permanently wiped out capital and you have for the long term reduced the opportunity of ever attracting capital again into the banking system. Secondly, you're driving capital out of banks that aren't nationalized because once you do one or two, it's hard to know where you're going to stop and therefore investors would shun banks for a long, long time into the future." In the same vein, Rodgin Cohen, chairman of the law firm Sullivan and Cromwell who has advised on many of the past year's biggest bank rescue deals, is quoted in the *Financial Times* as follows: "If the phrase 'height of stupidity' has any meaning, it would be to nationalize a U.S. bank. The nationalization of a large global bank has never been attempted and unintended consequences are unforeseeable and could be severe. Given time and opportunity, these institutions have enormous earnings capacity. The current situation can turn around and it will turn around."

Sectors: Comments on bonds, gold, oil, and utilities.

Anecdotal: Suffering among shareholders is widespread these days. Berkshire Hathaway is no exception, especially so given its large exposure to financial services. Warren Buffett has left intact his holdings in American Express, U.S. Bancorp and Wells Fargo. Also, accounting rules require Berkshire to report paper losses on derivatives, some of which involve exposure to tens of billions of dollars in liabilities related to financial indexes for another 18 years.

On the Website: New articles which may be of interest to retired investors are posted regularly at www.olligmu.org/~finforum/.