From Marcy Murninghan – CEO Project, Harvard Divinity School, 1996-98.

John Whitehead is another gentleman who has made an impact on twentieth century business and civic culture. Now in his seventies, he is a statesman with an exceptional 'triple play' career, having occupied senior positions in industry, government, and the not-for-profit sector. Whitehead is the chairman of AEA Investors Inc., an investment company in New York City, and is a director of numerous corporations around the country.[1] In 1995, he gave the Harvard Business School $10 million, one of the largest gifts in the School's history, to endow the John C. Whitehead Fund for Not-for-Profit Management.[2] A former co-chairman and senior partner of Goldman, Sachs & Co., Whitehead is credited for his leadership in creating and sustaining a code and culture of conduct that help to assure Goldman Sachs' reputation as one of the world's most highly regarded investment banking and brokerage firms.[3] In addition to authoring the firm's fourteen "Business Principles", other hallmarks of Whitehead's tenure as co-chairman include the house's refusal to manage any company's public offerings of limited or non-voting stock (due to his belief in the principle one share, one vote), and its refusal to represent a company, even if it were a client, that is engaged in a hostile takeover bid. Goldman Sachs' policy regarding unfriendly acquisitions remains, to this day.

In 1984, Whitehead retired from Goldman Sachs to devote more of his time to the not-for-profit sector (he remains connected to the firm as a limited partner). In April, 1985, he was appointed to the number-two position in the State Department as George Shultz's Deputy Secretary of State. In office until 1989, Whitehead took a special interest in Eastern Europe and was actively involved in effecting various administrative reforms in the State Department. Upon leaving government service, Whitehead was awarded the Presidential Citizens Medal by President Reagan.

A paragon of integrity and, like Stanton and Lear, one whose name was mentioned frequently by others as someone they greatly admire, Whitehead finds it easier to talk about ethical values, rather than religious values, because he believes ethics transcend the limits of dogma or creed and can more readily be embedded in secular culture, particularly in its institutions. He acknowledges the pull of religion, but prefers to remain noncommittal insofar as public expression of faith is concerned. Yet he, too, confesses to some difficulty in citing why he feels this way, or where these values come from.

"I've always tried to live my life by a moral code and things that I thought were right," he says. "And when I've been involved with institutions that I've been responsible for, I've tried to bring those standards of conduct into those organizations, and insist that those organizations live by that same kind of moral or ethical code. I think with me that it's been maybe more a matter of a code of conduct than it has been a religious code, although the principles are certainly common to all religions.

> It all has to do with what I would call moral principles and sort of the basic American principles of hard work and doing your best and things of that kind of nature—or the combination of things. Where did that come from? Why am I like what I am, is your question, and that's not an easy question to know the answer to. I think my parents had something to do with it. I know that my college, Haverford College, had something to do with it. It's a college with a strong Quaker influence, and the Quaker principles of each of us having in ourselves – sometimes deeply hidden – a sort of an inner light of truth and principles and service to others. Principles that everybody's view counts, and nobody has the right to overrun other people's views—all of those kinds of things which are part of Quakerism, I think, were imbued in me somehow by the spirit of that college and my four-year experience there.[4]

How did you come to select such a school? he is asked. "My parents had a close friend who had gone there, and he interested me in it, took me down to visit, and I sort of fell in love with it and have been in love with it every since. I've been a very enthusiastic student, and then board member and chairman of the board for about fifteen years – and a big donor to it – so it's always been part of my life. An ongoing relationship, not just a four-year one. And I love to go back. I enjoy being there. I like the spirit of the place."

As he looks back on his life, which has taken him into such different realms of professional, managerial, and public life, what stands out with respect to his moral compass? "I've sort of had, as you mentioned, three careers," he replies "One in investment banking and the private sector business world at Goldman Sachs, secondly the government service world and the State Department, where I was Deputy Secretary of State, and then third, and most recently, in the not-for-profit world, which I've been in as a full-time activity for the last seven years since I came back from Washington. So I've had these three stages in my life, and I like to think that in each of those, these personal beliefs and principles were something that I brought to the job—particularly at Goldman Sachs, the first of the three.

> I felt that it was very important that any organization that I worked for – or particularly any organization where I had a leadership responsibility and was known to be the leader – that it be an organization that had high ethical standards, and that it conducted its business in a highly professional, responsible, ethical way. And so I stressed that at Goldman Sachs in everything we did, and

> ultimately developed a what we called "Our Business Principles". It was a written statement of what we felt Goldman Sachs stood for, and there were fourteen of them. I won't burden you with going through them one by one, but we liked to feel that more than just a sort of expression of motherhood, they represented the special features that we liked to feel that Goldman Sachs stood for.[5] Plus, the clients' interests always come first, and if we serve our clients well, our success will follow. That was one of the principles. That was the kind of thing we talked about.

Nowadays many corporations have mission statements and codes of conduct (one almost has the sense that it has become managerially correct to do so, as the cartoon strip *Dilbert* sardonically points out), but at the time Whitehead is talking about – the late 1950s and early 1960s – a conscious corporate commitment to ethical standards was not very common. And on Wall Street, no less! How were they arrived at? From what source did they spring? Whitehead gives us his own interpretation, to which we can add two contextual forces at work, lending urgency to the task. One was the recognition that the firm was growing, and that the tradition of ethical leadership begun in 1869 and carried on for decades by the founding family risked dilution as dozens of new young executives were hired.

[6] A second was an antitrust case brought by the U.S. Justice Department against seventeen leading securities firms, including Goldman Sachs, which were charged with conspiring to divvy up underwriting business through a reciprocal web of client financing arrangements.[7] The antitrust suit was ultimately dismissed in 1953 because the government failed to prove its case, yet it became a major preoccupation of the investment banks for several years. Absent government regulation, the securities firms were left to their own devices and became pre-eminent advisors to the corporate sector, unchallenged by the bracing winds of price competition. Looking back, one would think securities firms would have developed voluntary forms of accountability, if only to save face and demonstrate a public commitment to sound ethical practices. This was not the case; the idea of codifying integrity was not widely shared.

"It was really unique," Whitehead recalls. "I had never heard of it being done before. How did we do it? Well, here's how we did it.

> In the first place, I felt that Goldman Sachs already had these principles, and that I was not originating anything by putting them down on paper. I thought I was trying to put down on paper what already existed, so I was not inventing new standards or new changes of the culture of Goldman Sachs. And at a period when

> we were growing quite rapidly and adding new people, I wondered whether these principles – which historically had always been passed on by osmosis and by observation of new employees— "Wow, here's how they do this at Goldman Sachs. I'd better live up to that myself!" – I wondered whether with so many new people, and some attrition of old people and replacements, whether we could really successfully keep that culture and those standards, high standards. And so one Sunday afternoon, I remember quite vividly, I sat down and tried to write them out.

A Sunday, eh? Was that after church? "Well, whether I went that week or not, I don't remember," he says, laughing. Or in lieu of church? "Well, it could have been either. At least it seemed like an appropriate day. I sort of set them down on a yellow pad, although I then drafted it and redrafted it and added some more that I didn't think of, and exposed it first to our management committee of eight or nine partners, and then to a wider group of partners, before it was all sort of set in stone... And it didn't change much." He recounts the story: "Nobody had really done it. And then we decided, 'Well, we've done this,' and we really weren't quite sure what to do with it. The partners had all signed on to it, and that was fairly significant that they'd read it and agreed that that was what they were willing to abide by.

> With the next copy of our annual report—we sent the annual report to the home address of our employees, and we attached to the front of it a printed edition of this – "Our Business Principles," as we called them – with a little note saying, "We're sending this to your home because we thought your family would also be interested in knowing what your company stands for, and we hope you will, we expect," we said, "that you will also live by these principles. This is what Goldman Sachs stands for." And that made quite an impact, especially the idea of sending it to the homes. It sort of brought the family into some appreciation of what their fathers or husbands – mostly male employees at that stage, I'm sorry to say – of what they thought, and exposed them in a different way to this company that was really quite demanding of the father's life, and absorbed a good deal of his time and energy, and made them maybe a little more appreciative that we were a highly responsible firm that they could be proud of, too.

> Then we wanted to be sure that people didn't just read it as an expression of high principles, but that they really applied it to their job. And so we asked each

department head to have a meeting of his department every six months, and to talk with people in his department about what this meant for them in their job—what did Principle No. 1, what does that mean to us in the work that we do every day? And somebody would raise some question, maybe, about, "Oh, you're talking about the customers' interest always come first, that the customer wants to sell some bonds, and we could buy them at 106_ or 106¼, and the customer really wouldn't know the difference—which do we do?" And they would discuss very specific examples of how it affected their job and their department. We asked the department head that minutes be taken without names, and to submit the minutes to their management, so that was the way we made sure that these meetings were actually held. And it turned out to be quite successful. The people enjoyed them and were interested in them and really participated actively. I think it helped the people understand that these principles and codes of conduct were not just something to put in the annual report, but were something that they really were expected to live by. I remember in the next year or two, we had several problems with individual people that were clearly violations of these principles. Instead of just firing the people because they had done something dishonest or something – I forget the exact circumstances – we tied their departure to violations of the code of conduct instead of to some regulation, and that made a big impression. They saw that the code was broken and that there was a penalty for it—that this wasn't just something that would be nice if you did this. It was something that really had teeth in it. So that was effective.

I can't really say the extent of how this code of conduct still survives and exists. I don't really know, but people tell me – people who are still at Goldman Sachs tell me – that this code of conduct, which they attribute to my era of management, was the most important thing that I left behind me during my ten years of being chairman of Goldman Sachs. It was actually instituted before I was chairman, but [they tell me] that that was the most important thing that I did. And I guess I'm sort of proud of it, although I must say, I thought that some of the money-making things that I've left were at least as important, and [he chuckles] I'm slightly offended by that...

There are other aspects to the principled legacy left at Goldman Sachs that Whitehead can talk about, particularly having to do with the ethics of corporate governance. The firm's refusal to participate in unfriendly corporate acquisitions, even if that meant not representing a current client, is a policy that they still have to this day. And, he can tell us that under his watch, the idea of each stockholder having a vote – the principle of one share, one vote – had great significance. A firm believer in corporate accountability, Whitehead reminds us that one share, one vote, "is a very important principle of the free enterprise system, that it was wrong to sell any stock that didn't have a vote. If you had a share of stock, you had a vote. If you had two shares, you had two votes." As a result, Goldman Sachs refused to manage any public offerings for companies seeking to raise capital by issuing stock with limited or no voting privileges—thus leaving control of the company in the hands of management. "You can argue whether the principles were right or wrong," he says, "but the fact that we had those principles—we were proud of that, that we had them, and that from time to time we set down for ourselves standards that we wanted to live by." In addition to these ethical policies, Whitehead poses a big question: Is ethical conduct still ethical if it creates a market edge, leading to better business and higher profits? (He says that their ethical policies created more income for Goldman Sachs over the years than they lost.) Are principles and profits compatible? He believes that they are, that people want to do business with ethical organizations. "That's what I tried to fulfill," he says, "not just to make an image of ethical conduct, but to make ethical conduct a strong reality, so that when you did business with Goldman Sachs, you could be sure that they would treat you fairly. I felt proud that we'd done something that was really done for ethical reasons, that we stuck by our principles. And I felt proud that that also resulted in better business. I didn't feel that our principles were in any way damaged because it resulted in positive things."

John Whitehead is a man who understands the dynamic process of organizational leadership, that organizations are malleable and can be molded according to the values and preferences of its leadership. After all, isn't this the chief difference between an *organization* and an *institution*? That an organization is a group of members with common cause, while an institution is an organization with moral integrity? Whitehead also knows that ethics and values are not just goods that govern internal institutional behavior, but that they circulate beyond the corporate skin—that there is an important role and responsibility for business to play in society. He is keenly aware of the special powers vested in financial service firms in general, and investment banking in particular. "I had a very strong conviction that our function in society was extremely important," he says, recalling his regular talks with new employees. "I said I was always very proud to work for Goldman Sachs and an investment banking firm, that we were, after all, the middle man between savers and users of capital, and therefore we had a position of responsibility steering capital to the most useful, beneficial area, and taking away capital from the areas of society that were less useful and less beneficial. That was the function of a competitive investment banking company in a free market society, and that that function of steering capital in a socialist system was performed by the government. Therefore we were doing something that was sort of pro-democracy, pro-American, pro-free markets and pro-free enterprise, and that it always made me feel that there was a usefulness to our work that I would not have felt, particularly, if I were making toothpaste or something. I felt that there was a bigger thing than just Goldman Sachs making a profit and doing good work for its clients—that the organization had a social usefulness in society that was very important."

Whitehead's foray into diplomatic service seems a natural extension of his civic-minded stewardship sensibilities. Unfortunately, we are unable in this conversation to hear about his experience at the State Department: how he coped with ethical problems and dilemmas (there were many, causing Secretary Shultz to submit four resignations – none of them accepted – "leaving me each time with a feeling of terror that I might have to inherit his job"), how he dealt with the curb on his executive authority (this was a place where major decisions are not made by a collegial company of partners, but by the Secretary of State, the President of the United States, or by Congress), or his approach to regimes which were then under Communist control (he had to persuade people like Jesse Helms that isolationism was not the way to go). Nor, at the moment, are we able to listen to his reflections on the importance of not-for-profit institutions to society. Let us look forward to future opportunities to hear these stories and learn from his experience. For the moment, a relevant question is this: *What role has religion played in efforts to build integrity into the environments where he has played a leadership role?*

"I don't know," he says. "I never thought of these things particularly as religious. I mean, the word 'religion' to me has sort of a connotation of Sunday morning church and different sects and different religious organizations.…It's very hard to distinguish where is the dividing line between something that's a religious issue and something that is a moral and ethical issue. At least it's hard for me to see that dividing line.

> I think that ethical conduct, although different people would define what's ethical in many different ways—I think that all religions support some code of ethical conduct, and those codes are pretty similar among different religions. The human rights area – which, of course, in my work in Eastern Europe, was very much at the heart of what we were trying to represent – I mean, I considered that was all doing God's work. Going out there and talking about what freedom was all about, and freedom of religion and freedom of the press, all these things that we criticize, that in these Eastern European countries were [unknown]. A good part of my work had to do with making deals with these Eastern European companies, that if they would improve their human rights performance in some very specific ways, we would try to find ways to reciprocate that gesture by doing something that they were interested in having us do, and maybe reducing the tariffs on their exports or something. They weren't so much my principles, as they were maybe

> at Goldman Sachs. They were international principles of human rights that are rooted in many places. I was just an advocate of them in a particular part of the world for a few years.

Advancing human rights is an important moral concern of government policy and is increasingly an issue faced by multinational corporations. Looking over the current landscape, what are Whitehead's thoughts about the role of moral convictions in public life? What troubles him, and where does he see the greatest challenges and possibilities for success? "Well, of course, I feel discouraged that there seems to be so little principle and so much pragmatism in public life on the part of public officials. They should be there because they want to be, to serve their country or to serve society. So many have selfish influence just because they're sort of discouraged with the negative attitudes...It's hard to find [people] you can really be enthusiastic about. I think these things do come in cycles, and I'm sure there are wonderful people out there to help. But national politics have come to a very low ebb, I think." Where are the bright spots? he is asked. "Well, it's hard to find bright spots, I guess, out there.

> You could find individuals that are wonderful, doing a great job, and you could find in every field bright lights of success, even in fields where there's general failure. You take secondary education. You can find some schools and some principals and some teachers that are wonderful, but when you look at the whole scene, you find nothing but discouragement. But I do think that progress is being made. Where is it being made? Well, I think one thing that's happened in recent years that I find very satisfying is the role of government in society – which had become far too important – is now being reduced, and I think that's a very, very positive trend in America. Most Americans realize that government has not been very successful at government programs, and that private enterprise, where individual initiatives that individual people can implement for self-development, that that whole movement is positive now. More and more people are having a chance to start their own business and can do with their lives what they want to do with them. They're not forced to go into some career that they hate. There's more freedom of opportunity to make something of their lives if they want to, if they have the initiative to do it. I think all of that is positive. There are lots of positive signs out there in that particular arena.

But isn't he talking about something more than 'private enterprise' or 'free enterprise'—or even 'social enterprise'? What John Whitehead has spent most of his life creating is *principled* enterprise, a values-based enterprise, a way of doing business that is not just business-as-usual but business-as-reformation, because it is rooted in a set of convictions about what that business stands for and the role it plays in society. Reducing equity gaps, moving capital from one place to another, promoting human self-worth and dignity, encouraging corporate accountability with one share, one vote, and expanding and sharing the common wealth—might not these be considered components of an ongong revolutionary process, where the status quo simply is not good enough, justifying the installation of a new order? This is quite different from conventional free enterprise doctrines that rule out a civic moral dimension or disavow a political connection. Oughtn't we really be talking about values-based enterprise that serves the public good, where the meaning of 'value' is not just financial—it is also moral and even political? "I think that's true," he says. "I agree with you. Free enterprise is not an ideal word to describe this. It does imply sort of a dog-eat-dog competition. That really isn't the answer."

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1. Whitehead is currently a trustee of the John C. Whitehead Foundation, the Carnegie Corporation of New York, and the Florence and John Schumann Foundation. He is a former chairman of the board of trustees of Haverford College, and has served on the visiting committees to Harvard Business School and the Center for International Affairs. He is past president of the Board of Overseers of Harvard University, and in 1990-91 served along with the Harvard Corporation as a member of the search committee that appointed Neil Rudenstine as President of the University. He has also served as a leader of many other not-for-profits, including the United Nations Association of the U.S.A., the Andrew W. Mellon Foundation, The Asia Society, the Brookings Institution, and Youth for Understanding. During his banking career, he served on the boards of numerous companies and was also a director and chairman of the Securities Industry Association and a director of the New York Stock Exchange.

2. This gift helps to support the Business School's Initiative on Social Enterprise, a major effort created in 1993 that involves faculty, students, and alumni in the leadership and management of not-for-profit and other social purpose organizations. Its long-term goals are to enhance the leadership capacity of not-for-profit organizations, promote greater involvement of business leaders in social enterprise, and advance the frontiers of knowledge about social enterprise. The second, and more immediate, aim of the Initiative is to offer students, alumni, and other business leaders a range of opportunities for social-sector learning and participation. New courses and case studies have been developed as part of this effort. The Initiative on Social Enterprise is headed by HBS professors James E. Austin and V. Kasturi Rangan, and offers classroom- and field-based courses, an executive education course for senior not-for-profit managers, and a research agenda that supports these efforts. Further information on the Initiative can be obtained at their website, which is http://www.hbs.edu/socialenterprise/

3. Whitehead joined Goldman Sachs as a junior statistician in 1947 after earning his Harvard M.B.A. with distinction. He remained at the firm for thirty-eight years, becoming a partner in 1956 and senior partner and cochairman, with his colleague John L. Weinberg, from 1976 until 1984.

4. Unless otherwise indicated, these and subsequent quotations taken from an interview held with John Whitehead at his mid-town Manhattan offices on 3 November 1995.

5. Every year in its *Annual Review*, Goldman Sachs reiterates that its activities "are conducted within the framework of our Business Principles, which emphasize commitment to clients, excellence in service, teamwork, integrity, and creativity." Initially authored by John Whitehead and refined over the years, the

fourteen Business Principles are listed, as follows: *(1) Our clients' interests always come first. Our experience shows that if we serve our clients well, our own success will follow; (2) Our assets are our people, capital and reputation. If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard; (3) We take great pride in the professional quality of our work. We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest; (4) We stress creativity and imagination in everything we do. While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry; (5) We make an unusual effort to identify and recruit the very best person for every job. Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm. (6) We offer our people the opportunity to move ahead more rapidly than is possible at most other places. We have yet to find the limits to the responsibility that our best people are able to assume. Advancement depends solely on ability, performance and contribution to the firm's success, without regard to race, color, religion, sex, age, national origin, disability, sexual orientation, or any other impermissible criterion or circumstance; (7) We stress teamwork in everything we do. While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients; (8) The dedication of our people to the firm and the intense effort they give their jobs are greater than one finds in most other organizations. We think that this is an important part of our success; (9) Our profits are a key to our success. They replenish our capital and attract and keep our best people. It is our practice to share our profits generously with all who helped create them. Profitability is crucial to our future; (10) We consider our size an asset that we try hard to preserve. We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy, and the esprit de corps that we all treasure and that contribute greatly to our success; (11) We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs. We know that the world of finance will not stand still and that complacency can lead to extinction; (12) We regularly receive confidential information as part of our normal client relationships. To breach a confidence or to use confidential information improperly or carelessly would be unthinkable; (13) Our business is highly competitive, and we aggressively seek to expand our client relationships. However, we must always be fair competitors and must never denigrate other firms; (14) Integrity and honesty are the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.* See the *Goldman Sachs 1996 Annual Review*, © Copyright 1997, The Goldman Sachs Group, L.P. Further information about Goldman Sachs can be obtained by visiting their website at http://www2.gs.com.

6. Goldman Sachs began in 1869, when Philadelphia retailer Marcus Goldman moved to New York and began buying customers' promissory notes from jewelers to resell to commercial banks. In 1882, Goldman's son-in-law, Samuel Sachs, joined the venture, which became known as Goldman, Sachs & Company in 1885. By the turn of the century, Goldman Sachs expanded into the international banking and securities business. Throughout its business history, the firm had been led by members of the same German-Jewish family up until the early 1950s. At this point, Walter Sachs, Marcus Goldman's grandson and Samuel Sachs' son, was now semi-retired from his role as managing partner, was worried that newcomers would not appreciate either the firm's history or values. In a 1956 oral history, Walter Sachs, then in his early seventies, tells his interviewer, "I am shocked at how little some of the younger executives know about the firm's origins. They don't even know that my grandfather, whose picture is on the wall there, founded the firm!" Sachs was one of a leadership triumvirate that led the firm through the Depression and over next twenty years, which was considered a period of corporate rehabilitation and revival. This era – from 1935 to 1956 – was Goldman Sachs' "third era" of corporate leadership that firmly entrenched its reputation for profitability and integrity. Walter Sachs put his business philosophy this way: "Money is always fashionable. But there's the romance of business, too—that people believe in you.

That's worth more than dollars." Important elements in the "romance" were cooperation and teamwork, noneconomic commodities that passed from one generation to the next. Quotations taken from "The Reminiscences of Walter E. Sachs," Oral History Research Office, 1956. This and another oral history, carried out in 1964, provide a fascinating glimpse into the business history of Goldman Sachs, the investment banking industry, and the cultural and political environment surrounding it. For more on the evolution of investment banking in the United States, see also "The Development of the U.S. Securities Marketplace" in Samuel L. Hayes III and Philip M. Hubbard, *Investment Banking: A Tale of Three Cities* (Boston: Harvard Business School Press, 1990), 91-112. The authors describe the mid-19th century movement of German-Jewish immigrants – most notably the Seligmans, the Lehmans, Abraham Kahn, Solomon Loeb, and Marcus Goldman – from mercantile activities into private banking. These Jewish firms became prosperous due to their privileged access to European capital, an advantage somewhat similar to the Yankee houses of Lee, Higginson and the various Morgan establishments, yet different due to their extensive family ties in different geographic locations. By the 1870s, the American market for underwriting was primarily within the utilities and railroad industries; in the early 1900s, Goldman Sachs had pioneered the flotation of industrial securities with their representation of United Cigar Manufacturers, Sears Roebuck, F.W. Woolworth, Continental Can Company, and B.F. Goodrich. Meanwhile, banks were actively engaged in the governance of client companies, through interlocking membership on corporate boards and finance committees. Concerns about unfettered business activity and a cartel of large, autocratic institutions led to the two earliest examples of major modern regulatory legislation. One was the 1887 establishment of the Interstate Commerce Commission (ICC) to regulate the railroad industry; the other was passage of the Sherman Antitrust Act in 1890, which established a public policy under which all business industry would be monitored by the federal government through the Attorney General's office. This early spurt of corporate reform and regulation was further boosted by the passage of the Clayton Act in 1914, which established the Federal Trade Commission, a regulatory agency with quasi-judicial powers. These three regulatory moves were eventually to have important impacts on the American investment banking industry, later amplified by the spate of legislation passed in the wake of the stock market crash of 1929. During the period between 1933 and 1940, a series of laws designed to eliminate fraud and abuse and increase public disclosure and accountability were produced, including the Glass-Steagall Act of 1933, the Securities Act of 1933, the Securities and Exchange Act of 1934 (which included the creation of the Securities and Exchange Commission), the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisors Act of 1940.

7. See *United States* v. *Morgan*, XXXXXXX 1953. The seventeen defendant investment banks were Goldman Sachs & Co.; Lehman Brothers; First Boston Corporation; Kuhn Loeb and Co.; Blyth; Dillon Read; Harris Hall; Merrill Lynch; White Weld & Co. Ltd.; Morgan Stanley; Eastman Dillon; Drexel & Co.; Harriman Ripley & Stone; Webster Securities Corp.; Kidder, Peabody; J & W. Seligman & Co.; and Glore Forgan.