

# THE ECONOMIC CLUB

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O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Jamie Dimon, Chairman of the Board &  
CEO, JP Morgan Chase**

**March 12, 2008**

Financial conditions are getting more extreme, and I don't know if they will get even more extreme.

Housing prices are down 10%, 12%, or 15%, depending where you go. California, Florida, and Nevada are much worse. In those states, unemployment has only gone from 4.5% to 6%, which is surprisingly low to me. There are predictions, by some very smart people, that it is going to get much worse in housing. It could go down another 10%, but some say another 25%, a total of 35%. That would be so unprecedented, other than the Great Depression, that it would be hard to estimate the impact. I think you do see a lot of things taking place to try to fix that, but you do have really frozen markets. Secondary markets are crippled. There's a lot of uncertainty.

Mortgages used to have 20% down. So, over this whole period of time of a bull market in homes, we should have been tougher on external mortgage brokers. Their loss was always worse. We went from 80% to 85% to 90% to 95% loan-to-value (LTV), to less documentation, and a sort of creeping incrementalism called bad underwriting; it's totally to blame. We didn't see the results because the housing market was so good, and there were no losses. So, people just did more and more. When they had no more equity in the house, people just left the home.

. . . we haven't had a[n *energy*] policy other than by default . . . since 1974. I would put in this category of major issues that can hurt this country dramatically: energy and environment; secondary education; infrastructure, from power grids to railroads; medical; trade; and I'm going to talk about pensions in a second. These are really serious.

Sometimes I think that people believe that the United States has a divine right to success no matter what happens. Believing that this is God's country, and we will be successful. But if we don't get these things right, it is not true. Good policy must be thoughtful; nonpartisan; based on analysis and facts; and conducted over a long period of time.

We have to keep America vibrant and healthy. We have to keep our companies vibrant and healthy.

Most people would say trade has taken a billion to two billion people out of poverty. It's brought the world closer, it's a good thing. . . . But we can't have the Republican and Democratic Parties, both going against trade, when it's been so good for the world. If we do, we won't have a healthy and vibrant country. . . . If you are an Indian or Chinese company, what do they buy from us? Aircraft engines, airplanes, pharmaceuticals, semi-conductors, software, financial services; it is not a one-way street. We benefit enormously from all of that. I would hope that we would start to educate the public and not pander to the public about some of these issues. We should deal with the legitimate issues, there are some, but we must not destroy the beast that created all this.

The vilification of business is starting to really irritate me. . . . JPMorgan and most people here are great corporate citizens. We give away a \$100 million a year in philanthropy. We lend \$80 billion a year in connection to our CRA commitment, which is basically to support lower to middle income housing mortgages, business development zones, etc. We help welfare mothers

get back to work; we give jobs to inner-city school kids; we invent ATM's that speak to the blind; and we are just one company. If you were in the Reserves and called into the service, we pay your salary for the full time because we can afford it. We think it is the right thing to do not to add financial hardship to the great personal hardship that you are going through. When the tsunami, earthquake, and hurricane hit, we sent money and people as fast we could. This is where I'm speaking for all of you, yet we vilify these companies. Who gets punished when they are unfairly punished? The shareholders, who happen to be our parents, labor unions, states, but we act like we are punishing the CEOs, which is not really the case.

Businesses need to be more involved in Washington and not run away from the opportunity. It took me a while to come to that position. We need to acknowledge legitimate complaints about shortcomings or problems with procedures, policies, and products. There are many that need to be reformed. We need not embarrass ourselves, like when a lot of people argued against option expensing, like that was going to destroy technology and innovation in America. I always tell people, "Did Henry Ford have options?" We do fine without them. We have to be nonpartisan, not completely self-serving, when we come to Washington. We should really try to participate and do what is right for the country.

. . . this country, not just in financial sophistication, even though some of the things didn't work exactly right, but in technology, use of technology and innovation, is still exceptional. I think it would be a mistake to think that the Indian companies are not doing it, the Chinese companies are not doing it, the European companies are not doing it, and companies in Brazil aren't doing it. They are all getting better, and that is a good thing for the world. It will create more for the world, but it is going to create a lot of tougher competition for us.

Most business people I deal with have high integrity, and know it is not all about earnings; it's about building a company over a long period of time. There are some great standards for all of us. There are some companies that have been doing it year in and year out for a long period of time.

You want a strong dollar, but a strong dollar is based upon a strong economy, which is based on good fiscal and monetary policies over an extended period of time. That's what we are paying the price for.