

# THE ECONOMIC CLUB

---

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

**Excerpts from the Signature Event featuring James Gorman, Chairman and CEO, Morgan Stanley**

**September 18, 2013**

“The most important thing about the Facebook IPO is not the IPO; it’s the Facebook part. This is a great American success story and this is the kind of thing that has made this country extraordinary. The level of innovation, of creativity, and then the financial support to bring what was an idea in a dorm room to be an \$80 billion company with billions of people following it and logging on every day, as I’m sure all of you are, it’s just extraordinary. So the IPO I regard as kind of an event in this extraordinary company. It was disappointing to me that during the whole IPO process there wasn’t more of a celebration of what that management team had done and what they had created in terms of vibrancy for the economy and the competitive instinct for everybody else in the Valley to come up with other ideas and be the next Facebook. The actual IPO ... was a mess. The market opening was a mess. It was something that was completely unprecedented, the hype going into it. ... I said publicly [*at the time*] ... that I felt a little patience was called for; give it a year and then let’s judge whether this really was what everybody had said it was. It took 15 months, ... so we were off by a little bit, but it’s trading up 15% and it remains a great American success story.” ~ *James P. Gorman, Chairman and CEO, Morgan Stanley*

“I don’t think it is widely understood how healthy our financial system is now, and that needs to be known, because that drives the economy. That doesn’t mean there isn’t going to be some trader tomorrow do something stupid or some bank somewhere do something stupid — individual institutions will always mess up. The system, though, is much healthier ...” ~ *James P. Gorman, Chairman and CEO, Morgan Stanley*

“I’m much more bullish than most people on the U.S. If you had to make a risk-return tradeoff of investing somewhere in the world, I’d invest in the U.S. right now. And I don’t think you’ve been able to say that for 30 or 40 years. There are still emerging markets that are growing faster — China is growing at 6% or 7% — but I think on a risk-return basis, you’d have to look at the U.S. The reasons [*why*] are we have great immigration; we have continued great mobility; we have a clean, healthy banking system; we have corporate balance sheets that are clean; we have consumers who have lowered their personal debt; we have 401(k) plans up at 12% last year, probably that much this year. Every dollar that’s going to the housing market in almost every part of this country is a dollar of equity to the homeowner. These are great things. And there is no irrational exuberance in the market. So I think the U.S. is in really strong fundamental shape. Whether that translates into 2, 2½, 3, 3½% [*growth*], — I’m not an economist, I don’t know. I’m just bullish on the U.S., and I think we should celebrate a little bit the fact that this country is coming back.” ~ *James P. Gorman, Chairman and CEO, Morgan Stanley*

“... TARP [*Troubled Assets Relief Program*] was \$700 billion. Most people think the banks got \$700 billion. The banking system got about \$250 billion, and the banking system has paid back over \$260 billion. In our case, we paid back our money very quickly with a 20% return to taxpayers on annualized basis, which is great. Taxpayers deserved it; they took some risks, they deserve a sporty return. So TARP worked. What Treasury Secretary Paulson, Chairman Bernanke and Tim Geithner, head of the New York Fed at that point did, I think, was gutsy and right, and it worked.” ~ *James P. Gorman, Chairman and CEO, Morgan Stanley*

“I just really hope and pray that our political community can come to a middle ground. It’s not like one side is going to wake up one morning and say, you know what? The other guys were right all this time. That’s not going to happen. Therefore, there are two other outcomes. They come to a middle ground, or they do nothing. And the longer we do nothing, the more it just capitalizes interest and hurts future generations of Americans who don’t deserve this; they don’t deserve this great burden. I don’t understand why folks can’t be rational and accept in any significant debate, there has to be some give and take. I thought the Simpson-Bowles Commission laid out ... a very plausible set of doable things, which would have taken a little bit from both sides. Unfortunately, it didn’t go through.” ~ *James P. Gorman, Chairman and CEO, Morgan Stanley*