Westlaw Attached Printing Summary Report
for
ZAKARIYA, NASSER 3749347 Monday, August 18, 2003 15:28:11 Central

Request Created Date/Time: Monday, August 18, 2003 15:28:00 Central

Client Identifier: AA

Database: ALLNEWS

Citation Text: 7/30/03 MKTMORNING

Query Text: AYRES & NALEBUFF

Lines: 88

Documents: 1

Images: 0

7/30/03 MKTMORNING
7/30/03 Minn. Pub. Radio: Marketplace Morning Rep. (Pg. Unavail. Online)
2003 WL 6865852
(Publication page references are not available for this document.)

Minnesota Public Radio: Marketplace Morning Report

Wednesday, July 30, 2003

Commentary: Pros and cons of Sarbanes-Oxley Act

KAI RYSSDAL, anchor: This is MARKETPLACE. I'm Kai Ryssdal.

President Bush signed public law 107-204, known to you and me as the Sarbanes- Oxley Act, exactly one year ago today. Its stated goal was to ensure corporate finances were more accurate and more reliable. MARKETPLACE commentator Ian **Ayres** and Barry **Nalebuff,** Yale professors both, saw the law's first birthday as an occasion to examine what's working with Sarbanes-Oxley and what isn't.

Professor IAN **AYRES:**

You know, after a year, I'm starting to come around on Sarbanes-Oxley. No more are auditing companies selling their consulting services and now CEOs have to sign off on the financial statements.

Professor BARRY **NALEBUFF:**

Well, a lot of it is smoke and mirrors. Let's face it, you've got consulting companies now going, charging hundreds of thousands of dollars just to confirm that a company's in compliance.

AYRES: But, Barry, at least you have to like this new prohibition against corporate loans to a company's own executives.

NALEBUFF: Actually, I like the idea of a company lending money so its executives can buy stock. That way, if the price goes down, the executive actually loses money.

AYRES: If only it worked that way. Look at Bernie Ebbers. He borrowed $400 million to buy WorldCom stock, and then when the stock tanked, he just walked away from the loan.

NALEBUFF: Hey, that's an egregious case, I take it.

AYRES: And it's not the only one. Look, the SEC just slapped a $22 million fine on Xerox. And not only that, it used Sarbanes-Oxley to force Paul Allaire to resign, not just form Xerox but from all his other boards.

NALEBUFF: Hey, the SEC dropped the ball on this. That $22 million fine, it turns out only $3 million of it was actually paid by the executives who overstated earnings. Instead, most of it was paid by the shareholders who were duped in the first place.

AYRES: But this is business as usual. If GM makes a defective car, it's the GM shareholders that pay for it, not the executives.

NALEBUFF: But here the defective earnings hurt the shareholders in the first place and now they're just being fined again. That doesn't make any sense. What really has me scared is that Sarbanes-Oxley ends up stifling debate. Take Target Corporation. They don't even allow shareholders to ask questions at their annual meetings.

AYRES: Big whoop. These annual meetings are just a joke.

NALEBUFF: Well, if you can't ask questions at a shareholders meeting, imagine how much debate there is in the boardroom.

AYRES: Barry, you just can't legislate good debate.

NALEBUFF: Actually, you can. The Catholic Church has the role of a devil's advocate. Before you elevate somebody to sainthood, the devil's advocate presents all the facts against the case.

AYRES: Well, I admire your religious devotion, but this isn't going to work in the corporate boardroom.

NALEBUFF: Why not?

AYRES: When David Packard tried to play devil's advocate in the HP merger, it almost brought the company down.

NALEBUFF: Yeah. The problem with Packard is that he was disloyal opposition. What you really need is an insider playing the role.

AYRES: A Vernon Jordan type?

NALEBUFF: Exactly. But the point of Sarbanes-Oxley is to make corporate boards better. You need to go beyond requiring independence. What you need are directors who are willing to look for flaws and speak up. Hey, if a devil's advocate keeps the pope honest, it'll work for CEOs, too.

AYRES: In New Haven, this is Ian **Ayres.**

NALEBUFF: And Barry **Nalebuff** for MARKETPLACE.

RYSSDAL: And in Los Angeles, I'm Kai Ryssdal. Thanks for being with us.

---- INDEX REFERENCES ----

COMPANY: Target Corporation (DAYHUD)

NEWS SUBJECT: (Management Issues (C41); Corporate Governance (CCPGVN); Transcript (NTRA); Corporate/Industrial News (CCAT); Content Types (NCAT))

INDUSTRY: (Retail (I64); Mixed Retailing (I656); Department Stores (I6560002))

Word Count: 642

7/30/03 MKTMORNING (No Page)

END OF DOCUMENT