

## **Michael Nobrega's Speaking Notes**

### **The Buttonwood Gathering**

October 16, 2009

Thank you John

Let me first congratulate John Micklethwait and The Economist for bringing the world together for a serious discourse on finance and economics.

The global credit crisis has caused great hardship.

It has promoted a widespread belief ... that the solution is greater regulation of capital markets.

Greater regulation on a coordinated worldwide basis.

Indeed, there are those who have condemned markets for failing to self-correct during this prolonged crisis ... and see that as a failure of capitalism.

The fact is, rarely do markets have the chance to self-correct.

Governments and regulators are always present.

Bailouts, for example, are about political choices rather than market decisions.

The root cause of the global credit crisis was the intemperate use of leverage.

And not just by hedge funds and private equity firms. It all began with consumers using excessive leverage to buy homes they could not afford.

They were encouraged by governments .... since the 1990s ... to take on undue risk in a low interest rate environment.

Certainly mass financial intervention by governments was needed in response to the global credit crisis.

And they have done an aggressive job of stimulating short-term economic recovery.

But let's not regulate away the creative destruction inherent in capitalism.

A system that is still the best in allocating capital ... has spawned millions of business enterprises ... has delivered innovative and affordable products and services ... and has lifted many millions of people out of poverty and despair.

For many of us, the crisis confirms the virtue of staying true to the principles of prudent and responsible investing based on conservative leverage.

The banking system presents an illustration.

Some fear that raising capital requirements will restrict lending and slow economic recovery.

Others fear that lax capital requirements will cause a renewal of excessive leverage.

I am proud to say, that my home and native land offers a prudent solution.

Canada has weathered the crisis better than virtually all economies.

Canada has what the IMF and World Economic Forum have described as the best banking system in the world.

And that's because of the Canadian banks' strong capitalization and prudent loan practices.

Has any of that undermined Canada's economic performance?

Absolutely not.

Canada has consistently ranked as one of the world's top economic performers – an impressive record for what is largely a commodity-based economy that trades with the world.

Many long-term investors have also weathered the crisis in relatively good shape.

They have done so by staying true to the principles of prudent investing ... based on conservative leverage.

In the aftermath of this global crisis ... we believe that the winners will be large and patient investors with long-term performance needs.

Who are these prudent investors?

Pension funds, insurance companies, some sovereign wealth funds and others with capital pools that together exceed \$15 trillion.

They will play a critical role in fostering sustainable growth ... and will deliver social and economic benefits throughout the world.

As a Canadian investment management company ... with deep roots in pension fund investing ... OMERS is currently forming partnerships with like-minded capital pools in Asia, Europe and North America.

We see, for example, opportunities to make wise investments in large-scale ... high-quality ...private market assets ... that make productive contributions to the global economy.

These investments help to insulate against the extreme volatility of public equity markets ... and the risks of experimental credit products.

In short, prudent investments in private market assets will keep us out of future trouble.

With that said ... let me say a few words about an economic thinker with impressive credentials and experience who is well known to all of us.

Larry Summers is the Director of the National Economic Council and a sage advisor on economic policy to President Obama.

Until last January ... he was a professor at Harvard University ... where he also served for five years as its president.

Before that, Mr. Summers was Secretary of the U.S. Treasury and Chief Economist of the World Bank.

He earned his undergraduate degree from MIT and his PhD in economics from Harvard – later returning to both universities to teach economics.

He has been widely acclaimed.

Let me mention just two awards. He won the John Bates Clark Medal as an outstanding economist under the age of 40.

He also received the National Science Foundation's Alan T. Waterman Award for outstanding scientific achievement ... the first social scientist to do so.

Mr. Summers is also a prolific writer on economic analysis.

Let me tell you what he said in a recent interview. He stated that (and I quote) "the incidence of financial crises may well be greater over the next 25 years than it has been over the last 25 years."

Consequently, we look forward ... with some trepidation ... to his observations on the U.S. government's plans in the financial sector and the outlook for the economy.

Thank you