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COMMENTARY**Risky Business**

By STAN O'NEAL

Listening to some oracles in Washington and elsewhere these days, you'd think the corporate landscape was populated by a bunch of capitalist outlaws, out to get a buck however they can. Nothing could be further from the truth. Talking to other CEOs, both as colleagues and as clients, the common theme that emerges is their increasing *aversion* to any kind of risk.

In the atmosphere of cynicism and potential retribution that dominates the business landscape today, CEOs seem to want nothing more than a low profile. They are reluctant to undertake new and untested business initiatives, want no visible risk and are loathe to speak out on corporate governance matters. It's all very troubling: Risk-taking is essential to capitalism. Without it, the system can't function.

Since 1990, Wall Street institutions have raised nearly \$24 trillion -- capital that financed groundbreaking research and untold improvements in infrastructure and technology. Along the way, we've helped employees of publicly-owned companies prosper, buy homes and invest in their communities. The investment opportunities we've provided for millions of Americans have enabled them to educate their children and save for the future.

Historically, investors' trust in the markets has been well founded because enterprising people have been willing to take risks. Backed by venture capital, entrepreneurs create value, employment, wealth, and opportunities. Without risk, there would be no electricity, no personal computers, no vaccines. No GE, no IBM, no Pfizer.

Of course, in any system predicated on risk-taking, there are failures, sometimes spectacular failures. But for every failure to be viewed as fraudulent or even criminal bodes ill for our economic system. The message to CEOs, to entrepreneurs and to venture capitalists right now is that you cannot afford to be wrong.

In the aftermath of history's greatest market bubble, this backlash against risk is understandable. Excesses in the system were taken to incredible levels. And while our industry did not create the bubble, it also did not bathe itself in glory recognizing or resisting those excesses.

But if we attempt to eliminate risk -- to legislate, regulate, or litigate it out of existence -- the ultimate result will be economic stagnation, perhaps even economic failure. To teach investors that they should be insulated from these forces, that if they lose money in the market they're automatically entitled to be compensated for

it does both them and the economy a disservice.

In my view, the great, historical contribution of American capitalism is its ability to create value. Even when the system works imperfectly, value is created. If our financial system is to retain this particular genius, we need to be willing to continue to innovate. If we fail to rebalance the forces of risk and reward, the greatest danger may be deflation. Not probable, but not impossible either.

It's been a difficult year for business leaders. The sins of a few have tarnished the accomplishments and integrity of many. Yet strong and vibrant capital markets are the surest way to create jobs, wealth and progress.

Mr. O'Neal is the CEO of Merrill Lynch.

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