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Radical green groups are adding to Zimbabwe's cholera woes. **Page 17**

Breaking news at europe.WSJ.com

G-20 hopes meet stark reality

U.K.'s Brown wants to rebuild global financial architecture, as others focus on home improvement

By Carrick Mollenkamp, Stephen Fidler and Alistair MacDonald in London

G-20 in London

When the world's financial powers meet at the Group of 20 summit in London this week, the results are likely to be far less than the sweeping overhaul of the world's financial system that U.K. Prime Minister Gordon Brown initially envisioned.

Six months ago, Mr. Brown called for "a new Bretton Woods—a new financial architecture for the years ahead," evoking the New Hampshire site where, in 1944, American and British officials mapped out the post-World War II economic order.

But what emerges from this week's G-20 meeting "is expected to be a long way from the early high expectations," says Simon Gleeson, a London partner at the law firm Clifford Chance and an expert on financial regulation. "Even the little things seem to be contentious."

According to a draft of the communiqué set to be released when the meeting adjourns on Thursday, the G-20 leaders could tout—if disagreements don't break out—a global bailout totalling up to $2 trillion and encompassing a mixed bag of new and previously announced measures. Real progress has been made securing hundreds of billions of dollars for hard-pressed emerging economies that lost access to funding. Changes have been broadly agreed to involving the international supervision of cross-border banks, whose recklessness helped to create the crisis.

Over the weekend, White House officials sought to back off their once-lofty goals as well, playing down fiscal-stimulus targets they were pushing Germany and other European nations for earlier in the month and instead focusing on more modest goals, such as new rules for tax havens and international coordination for financial regulation.

Officials insist the G-20 will chalk up impressive achievements. "The things which people believed would never ever be changed, have changed. Quite historic changes," said Stephen Timms, a British Treasury minister.

This week, for example, Saudi Arabia, which has been lobbied by the U.K., is expected to contribute to the International Monetary Fund's reserves. The oil-rich kingdom, along with new powers such as China, stands to get a bigger say in the IMF and in the regulation of global finance.

But rather than lead the world toward long-term structural change, Mr. Brown has refereed an unwieldy global debate over more immediate concerns, such as how much financial stimulus is advisable as the world digs out of the worst economic downturn since World War II.

In the six months since his bold declaration, the prime minister and his top economic advisers have circled the globe—from Beijing to Riyadh and São Paulo—in diplomacy aimed at building consensus for world-wide financial reform and allowing Mr. Brown to seize a global platform.

But they have been confronted with a stark reality: It is difficult to rebuild the global financial architecture when countries around the world are struggling to ad-

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Agence France-Presse

Thousands of trade unionists, environmental campaigners and antiglobalization activists marched through central London on Saturday, launching a planned five days of protests before the G-20 summit.

G-20 in London

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■ Thousands rallied in European cities ahead of the London summit as police readied high-tech security plan 31

A dangerous lure: inflation curbs debt

By Mark Whitehouse

LONDON—As U.S. President Barack Obama and U.K. Prime Minister Gordon Brown seek to lead the world into battle against the financial crisis, putting up trillions of dollars to revive their economies and bail out banks, investors and other politicians are posing a troubling question: Can their governments handle the bill?

The answer, economists and analysts say, is almost certainly yes. But some offer a caveat: As the countries' debt burdens mount to levels not seen in decades, they'll ultimately face a growing temptation to allow inflation to accelerate more than they typically would—a move that would slash the value of their debts as the prices of everything else rose.

That could cause a lot of pain for all kinds of investors, from U.S. and U.K. pensioners on fixed incomes to big holders of U.S. Treasurys such as the Chinese central bank.

"It would be epic, it would be terrible, but it's probably easier than outright defaulting," says Kenneth Rogoff, an economics professor at Harvard University and former chief economist of the International Monetary Fund.

As leaders of the world's 20 largest economies prepare for a crisis-fighting summit in London on April 2, Messrs. Obama and Brown have cast themselves as the vanguard of efforts to lift the global

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Challenging times

Slowdown in China's factories stunts entrepreneurs.
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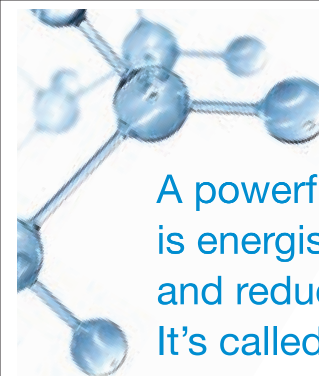
Nasdaq	1545.20	-2.63
DJ Stoxx 600	177.17	-1.09
FTSE 100	3898.85	-0.67
DAX	4203.55	-1.31
CAC 40	2840.62	-1.78
Euro	$1.3302	-1.87
Nymex crude	$52.38	-3.61



A powerful technology is energising Antwerp and reducing emissions. It's called cogeneration.

ExxonMobil recently started up a cogeneration unit at our Antwerp refinery. This unit utilises advanced technology to capture and recycle excess heat from the generation of electricity. Since total energy consumption with cogeneration is less than with separate facilities for power and steam, fewer greenhouse gases are produced. The result: a significantly more efficient power source that will help in reducing Europe's CO_2 emissions.

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LEADING THE NEWS

Signs of a trough in U.S.

Economic indicators are turning positive, but jobs likely to lag

By Kelly Evans

Just as the U.S. recession is set to become the longest since the Great Depression, some economic signs are encouraging, if tentative.

April will mark the 17th month of the recession that began in December 2007, making it the lengthiest U.S. downturn of the post-Depression era. For the most part, forecasters don't see U.S. economic growth turning positive until early autumn, and even then, expect the unemployment rate to hit double digits this year or next.

Last week, though, brought a spate of good economic news. Consumer spending rose marginally in February, the Commerce Department said Friday, as did consumer sentiment in a household survey by Reuters and the University of Michigan. The housing market also appears to have stabilized from its free fall, and an uptick in orders for big-ticket items is helping raise hopes of a future pickup in manufacturing.

During a meeting with President Barack Obama and other bank executives Friday at the White House, Bank of America Corp. Chief Executive Ken Lewis and Northern Trust Corp. CEO Rick Waddell expressed cautious optimism that the economic downturn was either at or near the bottom of the cycle, according to people at the meeting.

"There's growing evidence supporting the optimists' view, and I am surprised at that," said Robert J. Gordon, an economist at Northwestern University and a member of the National Bureau of Economic Research committee that is the official arbiter of when recessions begin and end. "I was sort of in the pessimists' camp until I started looking at things."

Beginning the climb?

A leveling off in the steep declines in some economic indicators released this past week has raised questions about whether the U.S. recession could be starting to bottom out. Change from a year earlier in:

Note: Data except for consumer sentiment are reported at a seasonally adjusted annual rate
Sources: National Association of Realtors; U.S. Commerce Department; Reuters/University of Michigan

He points to one indicator in particular with a remarkable track record: the number of Americans filing new claims for unemployment benefits. In past recessions, it has hit its peak about four weeks before the economy hit a trough and began to grow again. As of right now, the four-week average of new claims hit its peak of 650,000 in the week ended March 14. Based on the model, "if there's no further rise, we're looking at a trough coming in April or May," he said, which is far earlier than most forecasts currently anticipate.

But a turn toward positive growth is not the same as a recovery, particularly now with the current 8.1% unemployment rate at a quarter-century high and marching higher by the month. Nariman Behravesh, chief economist at IHS Global Insight in Lexington, Mass., says U.S. unemployment could hit 10.5% by late next year, even if the economy is growing at a 3% rate by that point.

The U.S. needs to see growth at nearly twice that rate, he said, to help bring down the unemployment rate. "That does mean some people will be left behind for a while by this recovery," he said. A problem seen in the aftermath of the past two recessions—a "jobless recovery"— will likely be at play this time around as well, to the dismay of many households.

"What comes next, I'm afraid, will be the mother of all jobless recoveries," said Bernard Baumohl, chief global economist at the Economic Outlook Group in Princeton, N.J. "While we may emerge from recession from a statistical standpoint later this year, most Americans will be hard-pressed to tell the difference between a recession and recovery the next 12 months."

IHS Global Insight estimates that GDP fell at a 7%-8% annualized rate in the first quarter, topping the fourth quarter of 2008's steep 6.3% drop, as weakness shifts from consumers to businesses. Business investment and exports could both post nearly 30% annualized declines, Mr. Behravesh said, a severe restraint on growth, even if the largest component of GDP—consumer spending—is flat or shows modest growth.

"We've passed the period where every indicator is plummeting, and that's good news," he said. "We may not be exactly at the turning point, but we're getting pretty close to it."

OECD predicts 4.2% fall in member nations' GDP

By David Pearson And Paul Hannon

LONDON—The Organization for Economic Cooperation and Development, issuing an updated forecast ahead of this week's Group of 20 summit, said it now sees 2009 gross domestic product dropping 4.2% in 2009 in the 30 countries that make up the OECD area.

That's a dramatic deterioration in the outlook for the global economy from last November, when the OECD foresaw a contraction of just 0.4%. The OECD's latest projection, to be released with other economic forecasts for the 30 OECD member countries March 31, is also well below the 3.5% GDP drop forecast by the International Monetary Fund. The OECD's members include countries in Europe, North America and Australasia.

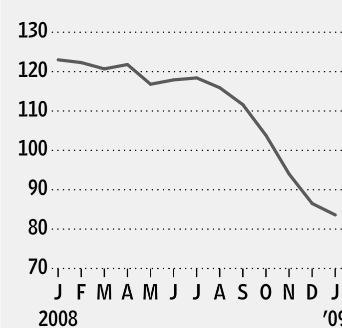
"We know it's going to be a terrible year," Secretary General Angel Gurria said Friday.

Separately, the European statistics agency, Eurostat, said new industrial orders in the euro zone fell 34% in January from a year earlier—the biggest drop ever recorded over a 12-month period. The statistics agency said new orders in January were down 3.4% from December.

Industrial production in the currency area fell by 5.4% in the final quarter of last year, and is set for a similar contraction in the first quarter of this year, the numbers suggest.

In Europe, the continuing run of bad economic data increases the pressure on the European Central Bank to cut its key interest rate, and take additional measures such as buying corporate bonds to restore credit flows to businesses.

The European Union's main business lobby Friday urged the ECB to buy short-term corporate debt, known as commercial paper, something the U.S. Federal Reserve and the Bank of England are already doing to get cash straight to businesses.



Downturn accelerates

New industrial orders index for the 16 countries that share the euro

Source: Eurostat

"Despite central banks' nominal interest rates reaching historically low levels, the real cost of financing for European companies has further increased since September and is too high to stimulate an economic recovery," BusinessEurope said in a report.

The drop in new orders was spread across all industries and most countries. But German manufacturers of capital goods—once a driver of growth when the global economy was booming—suffered most.

For much of this decade, Germany has been the world's largest exporter, providing factories in Asia and elsewhere with the tools to make consumer goods that were sold to the U.S. and Europe. Demand for those tools has fallen in line with weaker demand for the consumer goods they are used to make.

German manufacturers saw new orders fall 38% over the 12 months to January, while manufacturers of capital goods across the euro zone saw orders fall 40% over the same period.

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LEADING THE NEWS

A modern depression vs. the '30s version

How it might look if U.S. recession moves to next level

By Justin Lahart

In the wake of the biggest financial shock since 1929, economists say the odds of a U.S. depression are less than 50-50—though still uncomfortably high. But even if a depression comes to pass, a 21st-century version would look very different from the one 80 years ago.

THE OUTLOOK

There is no consensus definition for "depression." Harvard University economist Robert Barro defines it as a decline in per-person economic output or consumption of more than 10%, and puts the odds of a depression at about 20%. Many economic historians say the line between recession and depression is crossed when unemployment rises above 10% and stays there for several years.

The current U.S.recession, though severe, is not at depression levels now. Unemployment in February was at 8.1%, not as bad as in the early 1980s—the last time the idea of a depression was being kicked around seriously, when it remained over 10% for 10 months. In the Great Depression it reached 25%

"When you get an unemployment rate of 25%, it's everywhere," recalls economist Anna Schwartz, who is 94 years old and best known for her analysis of the causes of the Great Depression with the late Milton Friedman. "Everyone is conscious of that and fearful. We're not talking in that league at all."

Using the Barro definition, economists in a Journal poll conducted in early March put the odds of a depression at 15%, on average. But there was wide disagreement. John Lonski, chief economist at Moody's Investors Service, put the depression odds at 30% in early March, but better-than-expected news recently has led him to put it closer to 20%. In contrast, Paul Kasriel of Northern Trust put the odds of a depression at just 1% because of the aggressive lending by the U.S. Federal Reserve and the fiscal stimulus just beginning to hit the economy. "There are just too many powerful countercyclical policies in place that will prevent the worst-case scenario," he says.

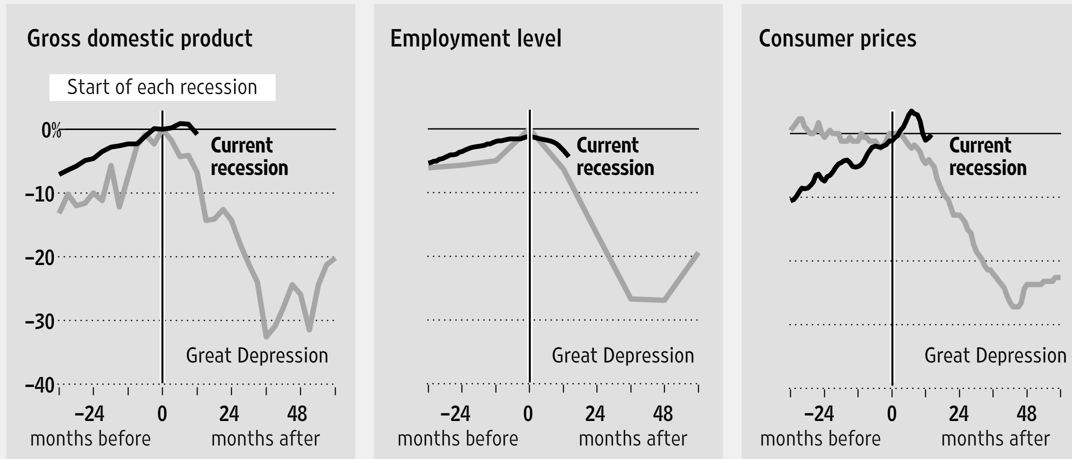
Today's government response is a far cry from the early 1930s, when the Fed raised interest rates, the infamous Smoot-Hawley Tariff Act crushed trade and Treasury Secretary Andrew Mellon's prescription for the economy was "liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate."

"The Great Depression was a mass of policy errors that made it worse," says historian and investment consultant Peter Bernstein, 90. "This time we have our fill of policy errors, but at least they're not making it worse."

Putting the U.S. recession in perspective

In terms of economic output and jobs lost, this recession pales in comparison with the Great Depression.

The charts show the course of the recession that started December 2007 and of the Great Depression of August 1929 through March 1933. The lines show how much higher or lower each indicator was in the months before or after the recession started, measured as a percentage of the level of that indicator at the start of the recession.



Notes: GDP is measured at a seasonally adjusted annual rate in constant (1939 and 2000); employment levels are for nonagricultural jobs; 1920s–30s figures exclude the military; price data are consumer price indexes.

Sources: U.S. National Bureau of Economic Research Macrohistory Database (Depression-era GDP and employment); U.S. Commerce Department (current GDP); U.S. Labor Department (current employment and all price data)

The different structure of today's economy means that a modern depression would differ from the Great Depression of the 1930s. Fewer than 2% of Americans working today have agricultural jobs, compared with one in five in 1930, when the Dust Bowl visited environmental disaster on the farm economy. Three-quarters of today's workers are in service-related jobs, which tend to be more stable than manufacturing, compared with fewer than half in 1930.

And then there are the social-safety-net programs that emerged after the Great Depression to blunt the blows. "There were no unemployment insurance, no food stamps, none of the automatic things that maintain some income for people who are out of work," says former Massachusetts Institute of Technology economist Robert Solow, a Nobel laureate. Mr. Solow, 84, remembers his parents' constant worry about the next month's money.

With spending on food accounting for a little less than a tenth of a typical family's disposable income today, compared with a little less than a quarter in 1930, a modern depression wouldn't hit people in the stomach as the Great Depression did.

Today's cutbacks would be for more discretionary purchases—cable television, iTunes songs and restaurant meals. And there's plenty of room for trimming, says Victor Goetz, 81, a retired engineer who lives outside Seattle. "This has a whole different feel than anything we had in the 1930s," he says. "We have an economy that's totally different. We're much more into things."

U.S. invites major economies to forum on climate change

By Ian Talley

WASHINGTON—The U.S. will host a meeting of major economies in late April in an effort to lay the diplomatic foundation for an international agreement on climate change and energy later in the year.

By convening a meeting of the world's largest greenhouse-gas emitters, President Barack Obama hopes to help create political momentum for an agreement to be signed at the United Nations climate-change negotiations in Copenhagen in December.

Though few international climate-change experts think a final accord will be signed at the Copenhagen talks, many expect that with U.S. leadership, the meeting will be able to forge a document of foundational principles for a post-Kyoto Protocol agreement. That international agreement, adopted in 1997, establishes legally binding commitments for participating nations to reduce their greenhouse-gas emissions.

"The Major Economies Forum will facilitate a candid dialogue among key developed and developing countries, [and] help generate the political leadership necessary to achieve a successful outcome at the U.N. climate change negotiations," the White House said in a statement Saturday.

The meeting, to be held in Washington on April 27-28, will "advance the exploration of concrete initiatives and joint ventures that increase the supply of clean energy while cutting greenhouse gas emissions," the White House said.

The leaders of 17 major economies, including the U.S., China and the U.K., are expected to discuss emission targets, technology funding, sectoral agreements, deforestation, trade tariffs and other issues that deal with cutting greenhouse gases without severely damping economic growth and creating an unsustainable international program.

The preparatory sessions in Washington will culminate in a Major Economies Forum Leaders' meeting in La Maddalena, Italy, in July.

Earlier this month, the president's proposed fiscal 2010 budget outlined emission-reduction targets of 14% below 2005 levels by 2020 and of 83% by 2050. While developing nations such as China are seeking more lenient targets—and there is general agreement among the Obama administration and European Union leaders that such nations should bear a lighter load in earlier years—some EU ministers are calling for much higher cuts for developed nations.

The U.S.'s top climate envoy said earlier this month that the U.S. target is politically realistic, and told his counterparts that such realism needs to be a theme in discussions. Many countries have already rejected what they describe as posturing by the Chinese, who are calling for importers of China's carbon-intense products to bear the costs of reducing emissions from manufacturing those goods.

U.S. officials said they think it is unlikely Congress will sign a climate bill into law before Copenhagen. But analysts said the White House is hoping to have something substantial to lay on the table that would give the U.S. negotiating leverage. One option would be to officially classify carbon dioxide as a danger to public health and welfare, which would trigger regulation of emissions across the economy. The Environmental Protection Agency took a step in that direction earlier this month by sending the White House a proposed finding that carbon dioxide is a danger to public health.

Another potential option would be a climate bill passed by the House. The House Energy and Commerce Committee chairman is expected next week to unveil a climate bill that would seek to cut greenhouse gases by 14% to 20% below 2005 levels by 2020. While there is still much to be debated, key Democrats who disagree on how a climate bill should be structured showed unity Friday, saying they were confident a bill could be passed this year.

Banks, aware of discord on pay, work to adjust, a survey finds

By Stephen Fidler

Banks almost unanimously agree that their compensation packages contributed to the global financial crisis but are still struggling to correct some of the flaws in their pay structures, according to a survey of leading financial institutions due for publication Monday.

The survey, conducted by U.K.-based management consultancy Oliver Wyman, was commissioned by the Institute of International Finance, a global association of banks and other financial companies based in Washington, D.C. It found 98% of responding banks "believe the compensation structures were a factor underlying the crisis."

But it also brought to light some of the obstacles to changing pay arrangements, including the concern among bankers that they still don't have reliable methods to measure the risks they are running.

The report comes amid widespread public anger about bankers' pay and taxpayer bailouts of financial institutions that were engaged in excessive risk-taking, encouraged by their compensation packages.

"The industry is broadly aware of the need for change and broadly aligned on where they need to go. But the devil is in the detail," said Nick Studer, who led the study for Oliver Wyman.

The IIF set out seven principles of conduct last July aimed at better aligning pay with shareholder interests and long-term profitability, discouraging excessive risk taking and making sure pay wasn't out of line with overall bank profitability. The Financial Stability Forum, an international forum of regulators, has set out similar guidelines. The survey said 60% of banks expected to be following these principles once all their plans had been implemented.

But 83% said they were still working out how to phase compensation to make sure it reflected the risk being taken over a long period. Without that, bankers are encouraged to take big bets for short-term profits that entail significant long-term risks.

It said banks were concerned that they hadn't yet got risk measurements right, so they didn't know whether it would be useful to incorporate them into performance pay. There were also worries that in complex business areas, such as structured financial products, the only people with a strong understanding of the risks are those directly involved.

However, one longstanding concern about changing compensation structures—that being the first to move would lead to a loss of key staff to other banks—has been allayed by the current market travails and the fact that most banks are changing their approach to pay.

Seventy IIF members worldwide were invited to respond to the survey, and 37 responded, representing 57% of global wholesale banking activity, the report said. The survey excluded some significant nonmembers of the IIF, such as Goldman Sachs Group Inc.

CORPORATE NEWS

Kodak ads get more aggressive

Under new marketing chief, brand aims for hipper image in focus on printer business

By Suzanne Vranica

Eastman Kodak is stepping up the aggressiveness of its marketing as it tries to jump-start its ink-jet-printer business and revive its beleaguered brand.

Beginning this week, the 103-year-old company is rolling out a new ad campaign for the business that taps into consumers' frustration with the high price of printer ink. Its slogan: "Print and Prosper."

ADVERTISING

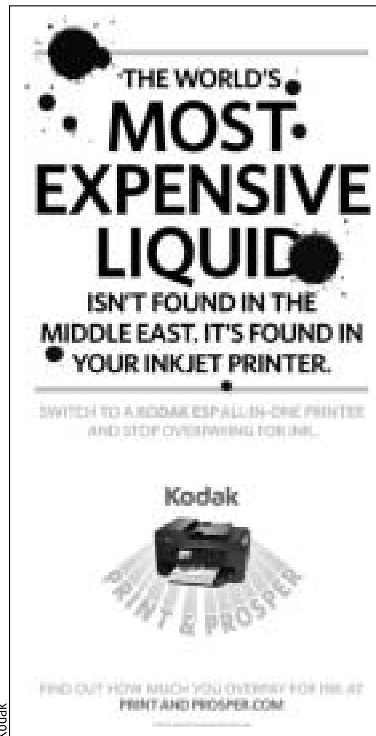
"Last year America paid $5 billion too much for ink-jet-printer ink," one print ad says, while a television spot likens ink to oil. "The world's most expensive liquid isn't found in the Middle East. It is found in ink-jet-printer cartridges," says the spot's voice-over.

Eastman Kodak is spending roughly $30 million on the campaign, says a person familiar with the matter.

Since its core film business has faded, the former corporate icon has been trying to remake itself into a digital-photo and printing company, selling consumer ink-jet printers and high-speed commercial presses.

In the past several years, as it struggled to turn itself around, Kodak eliminated tens of thousands of jobs and cut ad spending sharply. Last year, it spent $30.6 million in the U.S. on ad time and space, down from $205.2 million in 2001, according to **WPP**'s TNS Media Intelligence.

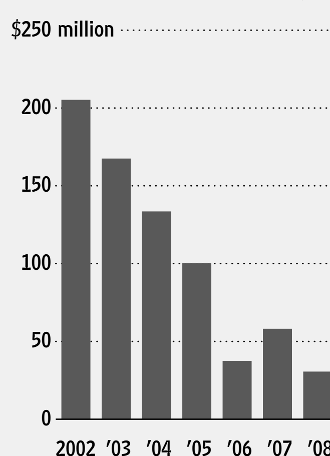
The new printer pitch, which will appear in the U.S., Britain and Canada, is the latest from Kodak's new chief marketing officer, Jeff Hayzlett, who joined the company in 2006 and was promoted to the post in November. The 48-year-old Mr. Hayzlett, who is known for his outspokenness in marketing circles, as well as his devotion to the messaging service Twitter, has been pushing hard to reshape the conservative brand.



◀ A print ad from Kodak's "Print and Prosper" campaign.

Fading image

Kodak's annual U.S. ad spending



Source: TNS Media Intelligence

The executive has dumped hundreds of small ad and marketing firms around the globe to consolidate Kodak's accounts and agency fees. The Rochester, N.Y., company also has ended many of its high-profile sports sponsorships, such as the Olympics.

Kodak declined to provide details of its spending plans, but says ad outlays will rise this year because of efficiencies it gained in the marketing reorganization.

Mr. Hayzlett has abandoned the warm-and-fuzzy branding ads once typical of Kodak. Well-known slogans have included "You push the button—we do the rest" and "Share moments, share life." Instead, he favors more product-specific ads.

"The Gallery ad campaign made people and employees cry," he says, referring to Kodak TV ads a few years back that showed children walking through a photography museum. "But we have to have ads that drive sales."

As part of Mr. Hayzlett's effort to give Kodak a hipper image, the company was featured last year in the reality-TV show "The Celebrity Apprentice," and recently signed on for another season.

Rocker Gene Simmons, whose challenge on the show involved a printer marketing project for Kodak, was "fired" after his slogan failed to win over Kodak executives. The Kiss frontman eventually took a few jabs at Mr. Hayzlett on the late-night talk show "Jimmy Kimmel Live," generating more publicity for Kodak.

Mr. Hayzlett's in-your-face marketing push for the company's ink-jet printers takes a shot at rivals such as **Hewlett-Packard** with a gimmick dubbed the "overpaid meter," a Web site that purports to help consumers calculate how much they have "wasted" on ink with printers from rival manufacturers.

Late last year, Mr. Hayzlett raised eyebrows on Madison Avenue when he handed the printer ad account to **Interpublic Group**'s Deutsch, bypassing the company's long-time agency-of-record, WPP's Ogilvy & Mather. The printer push needed an agency that knew how to do "aggressive and edgy" advertising, Mr. Hayzlett says.

Ogilvy, which continues to work on other parts of Kodak's business, declined to comment.

Resuscitating the Kodak brand won't be easy. Once one of the most powerful anywhere, it has taken a nose dive, according to **Omnicom Group**'s Interbrand. In 2001, Kodak was ranked the 27th-most-valuable brand in the world. Last year, it fell off Interbrand's closely followed list of the top 100 global brands.

"It's still a highly recognized brand" but "you can't support a great brand without great products," says Jez Frampton, chief executive of Interbrand.

Meanwhile, the changes in Kodak's marketing department under Mr. Hayzlett haven't all been met with hearts and flowers. Just last week, "The Delaney Report," an ad-industry newsletter, said insiders at Kodak are complaining that Mr. Hayzlett isn't a "classic marketer."

"I'm not doing my job if I am not causing tension," Mr. Hayzlett says.

Bank bonuses further pressure Sarkozy, France

By Sebastian Moffett

PARIS—Pressure mounted Friday on the French government to limit compensation for top earners, as unprofitable French bank **Natixis** SA said it would pay its traders €70 million ($93 million) in bonuses for 2008.

The Natixis bonuses are for 3,000 staffers and are 73% lower than in 2007. Senior managers gave up all stock options and bonuses, a bank spokeswoman said. Last year, Natixis said it would cut 15% of its investment-banking staff, or 840 jobs.

The Natixis announcement comes as President Nicolas Sarkozy's government prepared to issue a decree, in the coming week, fixing conditions under which stock options and bonuses can be forbidden at companies that have benefited from government aid.

Nicolas Sarkozy

Natixis received €2 billion in state aid through a bailout package for France's largest banks. It reported a loss of €2.8 billion last year, speeding up a merger of its key owners, Groupe Caisse d'Epargne and Groupe Banque Populaire.

Separately Friday, **BNP Paribas** SA, France's biggest bank by market value, appeared to read the public mood, saying it would abandon stock options for senior directors.

The BNP Paribas announcement came after condemnation from Mr. Sarkozy and his ministers of stock-option awards for bosses of Société Générale a week earlier. That bank's top officials eventually renounced these options.

Natixis posted a loss last year, speeding up a merger of its key owners.

The pay controversy has made big business even more unpopular than usual in France, a problem for Mr. Sarkozy, who was elected two years ago on a pro-business strategy. Unions and opposition politicians have used recent strikes and demonstrations to call for the government to prioritize the welfare of harder-up French people.

So far, the French president has stayed relatively firm in his positions. He refused to back down on a measure that limits the highest income taxes to 50%. He also refused to pass a wide-ranging law restricting stock-option plans and annual bonuses at French companies.

But Friday, Mr. Sarkozy's political party, the UMP, demanded explanations from Natixis. "If the employees helped reduce the losses...it's possible" to justify the bonuses, said a party spokesman, Frédéric Lefebvre. "On the other hand, it would be shocking if bonuses have been awarded to employees who have contributed to Natixis losses."

BlackBerry's consumer push appears costly

By Sara Silver

Despite a shrinking cellphone market, sales of BlackBerry devices are soaring. But concerns that a mass market push is eroding profit margins have jostled the shares of **Research In Motion** Ltd., and investors are divided on the BlackBerry maker's prospects ahead of earnings Thursday.

RIM has been investing heavily to reach ordinary consumers, buying TV ads, developing new software, and rolling out more powerful devices with larger screens. The Waterloo, Ontario-based company is expected to unveil a host of new music, gaming and other consumer-oriented applications at this week's CTIA trade show in Las Vegas.

But all of these efforts eat into gross profit margins, which have fallen from about 50% to 40% in the last six months, and have helped push RIM's stock to one-third of its high of $147 in July.

Many investors are staying on the sidelines, awaiting fiscal fourth-quarter earnings this week for any signs of stabilization. Ken Smith, portfolio manager at Munder Capital Management of Birmingham, Mich., which held 111,000 RIM shares according to a December filing, said he's waiting until the "margin decline has bottomed out."

DAILY SHARE PRICE

Research In Motion

On the Nasdaq

Friday: $45.01, up 11% year to date

Source: WSJ Market Data Group

RIM's share of smart phones—the only part of the cellphone market expected to grow this year—has been rising fast. In the last three months of 2008, it sold 7.4 million devices, or nearly 19.5% of the total world-wide market, up from four million devices, or 10.9% of the total in the year-ago quarter, according to data from Gartner Inc. By contrast, **Apple** Inc. had 10.7% of the total, while giant **Nokia** Corp. took a 40.8% share.

RIM declined to comment for this article.

Co-chief executive Jim Balsillie said in September that the company is making an aggressive push into the relatively nascent consumer smart-phone market by investing heavily in new products and advertising. "A land grab is not a bad metaphor for what's going on right now," he said in a call with investors.

BlackBerry faces significant competitive challenges, however, with new devices hitting the market and consumers proving more fickle than its traditional corporate users.

For example, Todd Newby, a high-school teacher in Peekskill, N.Y., is considering upgrading his Nokia camera phone to a BlackBerry or **Google** Inc.'s G1 smart phone that would let him send photos and check email and sports scores. "But I'm not sure it's worth $50 more per month to me," he said.

RIM said in February it expected to add 3.5 million new subscribers in the fiscal-fourth quarter ended Feb. 28, due in part to promotions such as the "Buy One, Get One Free" offer at Verizon Wireless. Carriers have been heavily subsidizing and promoting BlackBerry devices, whose email and messaging features are enticing consumers to sign up for lucrative monthly data plans, that help counter stagnating voice revenue.

Despite such promotions, the company said last month it expects profit at the low end of its estimates. RIM shares, which approached $60 before the February announcement, dropped to less than $40. Its shares closed Friday at $45.01 on the Nasdaq Stock Market.

"A little bit of disappointment goes a long way with the stock," said Mark Demos, portfolio manager with Fifth Third Quality Growth Fund. "They are growing share, so people want to make sure the profitability is hanging in there."

DeutscheBank analyst Brian Modoff has recommended selling the shares since September: "They have to keep running to keep up with changes in consumer tastes and risk missing numbers if their products do not hit."

Firms weigh role split

Push to separate CEO, chairman jobs gains new support

By Joann S. Lublin

The effort to separate the roles of chairman and chief executive at U.S. companies is gaining prominent new allies. About 50 corporate leaders, investors and governance specialists Monday will urge companies to bolster board oversight of management by splitting the roles.

Participants include **MBIA** Inc. CEO Jay Brown, former American Express Co. head Harvey Golub, **KB Home** co-founder Eli Broad, and former **UAL** Corp. CEO Stephen M. Wolf, as well as representatives of big pension funds.

Businesses with separate chairmen "would perform better overall—and not just in shareholder returns," contends Harry Pearce, a retired General Motors Corp. vice chairman who is chairman of **MDU Resources Group** Inc. and **Nortel Networks** Corp. Mr. Pearce heads the Chairmen's Forum, a group of independent board chairmen that helped organize the new campaign.

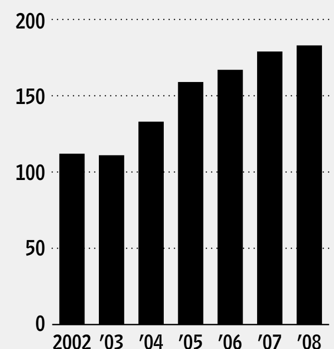
In a report prepared by the Millstein Center for Corporate Governance and Performance at Yale University's School of Management, the Chairmen's Forum proposes that companies appoint a separate chairman after an incumbent CEO-chairman leaves—or explain why not to shareholders. The group is considering asking the New York Stock Exchange and Nasdaq to adopt listing rules that would require separate chairmen.

More U.S. companies are dividing the roles, but the trend is spreading slowly because many CEOs resist sharing power. About 37% of companies in the Standard & Poor's 500-stock index have separate chairmen and CEOs, up from 22% in 2002, according to the Corporate Library, a research firm in Portland, Maine.

Outside the U.S., the split is much more common. All German and Dutch companies have two-tier boards that divide the roles. About 79% of the biggest British businesses identify an outside chairman in their annual reports, the Yale report found.

Split roles

More big U.S. companies are naming chairmen who aren't the CEO. Number of Standard & Poor's 500 companies that separate the jobs:



Source: The Corporate Library

In a separate study released last week, the Corporate Library said businesses with a single CEO-chairman tend to have less shareholder-friendly governance practices, including long-tenured leaders, infrequent board meetings and "classified" boards that serve staggered rather than annual terms. "A board that retains the dual role out of reluctance to challenge a powerful chief executive may not be a strong protector of shareholder interests in other respects," the research firm said.

The push to separate the CEO and chairman roles comes amid increased shareholder activism over the issue. So far this year, investors have submitted 39 resolutions seeking an independent board chairman, five more than in all of 2008, says proxy adviser RiskMetrics Group Inc.

Since 2002, RiskMetrics says, such resolutions have won majority support at 10 companies, including Washington Mutual Inc. last year. Weeks after the April annual meeting, WaMu directors stripped Chief Executive Kerry Killinger of the chairman title he had held for 17 years. He was forced out as CEO in early September, shortly before the Seattle thrift was seized by federal regulators.

At **Exxon Mobil** Corp., shareholder activist Robert A. G. Monks filed a binding independent-chairman proposal that's expected to come up during its May annual meeting. This is Mr. Monks' seventh attempt to split Exxon's top roles. Last year, his nonbinding measure won 39.5% of votes cast.

Exxon spokesman Rob Young says directors believe that leaving Rex Tillerson as both CEO and chairman is "the most effective leadership structure" for the oil giant. Exxon has a presiding director, International Business Machines Corp. CEO Samuel J. Palmisano, who chairs board sessions in Mr. Tillerson's absence, among other duties.

Supporters of splitting the roles say the setup lets the CEO run the business while the chairman leads the board, recruits new members, and manages CEO succession. Former Northwest Airlines Corp. Chairman Gary Wilson, a member of the chairmen's group, has seen directors speak more openly when a chairman, rather than a lead director, conducts executive sessions of outside board members without management.

Critics say separating the chairmanship can trigger power struggles and confuse staffers, especially when outside chairmen get involved in daily operations. Most CEOs prefer to chair their boards because "they think having one boss at the helm is better than having two," says Dennis Carey, a senior client partner at recruiters Korn/Ferry International.

That's not the case at MDU. Mr. Pearce became chairman in 2006, when President Terry D. Hildestad was named CEO of the Bismarck, N.D., natural-resources company. As lead director for the prior five years, Mr. Pearce mainly conducted executive sessions. Now, he says he insists on debates by the full board about key issues such as risk management. A board with an outside chairman is "better equipped to assure appropriate risks are assessed," he says.

Mr. Hildestad likes sharing power. Freed of running the board, he says he has more time to run the complex company. If he were also chairman, he says, "I might have a bit of bias toward my management" during board meetings.

Boeing nears big satellite deal

By Andy Pasztor

After struggling for years, **Boeing** Co.'s commercial-satellite manufacturing business appears poised for a lift by snaring what is likely to be a multisatellite order valued at more than $400 million from **Intelsat** Ltd., according to people familiar with the matter.

While no final agreement has been signed, negotiations between Boeing and Intelsat, which has the world's biggest commercial satellite fleet, have been making steady progress over recent months, these people said. Barring some last-minute snag, a contract for as many as four satellites with an estimated total value between $400 and $550 million is expected to be signed within the next few weeks.

The deal, reported by industry publication Space News, would help rejuvenate Boeing's satellite-making unit, which has barely broken even over recent years, significantly cut its work force and largely shunned the commercial arena. Combined with U.S. government awards that were delayed and others that Boeing lost, the Chicago aerospace giant's satellite factory in El Segundo, Calif., would face the threat of further reductions. Boeing officials in the past have even had preliminary discussions with rivals about a potential sale or merger involving the unit.

A firm contract with Intelsat would provide Boeing with an immediate financial and symbolic boost. It also could have longer-term ramifications by changing some of the dynamics of the roughly $90 billion-a-year global industry that manufacturers and provides voice, data and imaging services using commercial satellites.

Intelsat is slated to be the first customer for a family of satellites Boeing has been developing since the middle of the decade that are smaller and less expensive than its current versions, but comparable with models already offered by many rivals.

Representatives for Boeing and Intelsat declined to comment over the weekend. A spokeswoman for **Loral Space & Communications** Inc., believed to be the other bidder still talking with Intelsat, also declined comment. Intelsat previously had confirmed that it was seeking bids for a number of new satellites as part of a capital budget slated to top $525 million this year.

An Intelsat contract would demonstrate that Boeing's satellite unit has managed to overcome a string of quality-control lapses and budget overruns. It also would catapult Boeing into a market segment in which it hasn't been competitive since the beginning of the decade. A victory also eventually could improve Boeing's ability to compete against Loral, **Lockheed Martin** Corp. and European satellite-makers, according to industry officials.

For Intelsat, which is based in Washington, D.C., the move is designed to accomplish the twin goals of diversifying its satellite providers and ordering multiple spacecraft as ways to reap cost and operational benefits.

Google aims to connect ads for TV, YouTube site

By Jessica E. Vascellaro

Google Inc. is developing technology to connect its TV-ad brokering business to YouTube and eventually video on other Web sites, as it struggles to lure bigger advertisers to both services.

The Mountain View, Calif., company also disclosed it was cutting its sales and marketing staff by nearly 200 positions, the company's biggest round of layoffs not associated with a merger.

Google's director of television ads, Michael Steib, said the company is working on technology that allows advertisers to buy ads across Google TV, which sells on-air commercials; YouTube; and video on other Web sites through the same interface. Google is testing the service, called Google TV Ads Online, with a small group of advertisers, he said. People familiar with the matter said the service is likely to be introduced in the coming months.

The company is hoping that the new service will make it easier for bigger brand advertisers to spend across both services.

Google earlier this year canceled its efforts to broker ads across print and radio, but the company said it is confident that TV and video will be different.

For the new effort to work, YouTube needs to secure longer-form video such as TV shows and movies, for which users are often willing to tolerate longer ads. While it is in talks with major media companies, YouTube to date has only signed a small number of full-length content deals with companies such as **CBS** Corp.

The latest staff cuts suggest that Google, whose ads alongside search results still sell relatively well, expects that the tough times will continue and could get worse. Google ended the fourth quarter with 20,222 full-time employees.

Monte dei Paschi reports 47% drop in profit, seeks aid

By Sabrina Cohen

Banca Monte dei Paschi di Siena SpA said its fourth-quarter net profit plunged 47% on write-downs and lower commissions.

The Italian lender, the world's oldest bank, also said it would seek €1.9 billion ($2.57 billion) of state aid from the sale of so-called Tremonti bonds to boost its core Tier 1 ratio, a measure of financial strength, to 7.1% from 5.6% at the end of December.

It cut its 2008 dividend to 1.3 European cents a share from 21 cents.

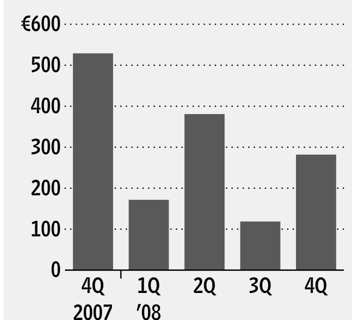
As of Friday, Italian banks have announced they will seek roughly €10 billion through the Tremonti program, in which bank access a state-aid program by issuing bonds the government will buy. Chief Financial Officer Marco Morelli said Friday the bank will repay the bonds within four years, using gains from asset disposals and capital generation.

Monte dei Paschi said net fell to €281.9 million from €529 million a year earlier. Net interest income fell 4% to €1.07 billion and net fees fell 19% to €397.4 million. Losses from equity investments and write-downs totaled €206.8 million. It recorded €400 million of charges for the diminished value of acquired operations.

Monte dei Paschi said its board has mandated the bank "to take any measures needed" to deal with the global crisis. It didn't elaborate.

Profits sag

Banca Monte dei Paschi di Siena's net profit, in millions



Source: the company

Barclays clears capital hurdle; bidding advances for iShares

By Dana Cimilluca And Carrick Mollenkamp

Barclays PLC is nearing a sale of its iShares exchange-traded-funds unit in a deal that would give the U.K. bank a further cushion against losses, even after U.K. regulators certified that it has sufficient capital.

As of Friday, several bidders were still in the running for iShares, which could fetch more than $5 billion, people familiar with the matter said. With the auction likely to reach the finish line as early as Tuesday, a pairing of private-equity firms **Bain Capital** LLC and **Colony Capital** LLC was competing with a group of **Apax Partners** and **Hellman & Friedman** LLC and a possible separate bid from **CVC Capital Partners**, the people said. **Goldman Sachs Group** Inc. also remained in the running.

A successful sale of iShares would provide an added boost for Barclays after the U.K. regulators' certification.

Barclays on Friday said it cleared the test from the U.K. Financial Services Authority of whether it has enough financial strength to withstand continued severe economic weakness.

The test result could buy Barclays breathing room in its discussions with iShares bidders. If it hadn't passed, Barclays may have been forced to apply for participation in the U.K. government's program for insuring banks against future credit losses, which might have cost billions of pounds. That, in turn, could have hurt its bargaining position in the iShares auction.

CORPORATE NEWS

Australia blocks Chinese OZ Minerals bid

Finance chief doubts decision will affect Chinalco, Rio Tinto

By Rachel Pannett
And Rick Carew

Australian officials on Friday blocked a bid by **China Minmetals** Corp. for **OZ Minerals** Ltd. but left room for a revised offer, highlighting the complications that could arise as regulators consider another Chinese company's proposal to invest $19.5 billion in mining giant **Rio Tinto**.

Still, senior Australian minister on Sunday played down any connection between the two deals, saying the decision was specific to the Minmetals bid.

Australian Treasurer Wayne Swan said Friday the government would reject the current offer of 2.6 billion Australian dollars (US$1.8 billion) for OZ Minerals because some of its operations are in the Woomera Prohibited Area in South Australia, a government weapons-testing range.

Wayne Swan

OZ Minerals Chief Executive Andrew Michelmore said the miner is discussing possible changes to the transaction and will make an announcement as soon as possible.

A spokesman for state-controlled Minmetals said the company remains in discussions with Australia's Foreign Investment Review Board, which advises Mr. Swan. The spokesman said Minmetals is focused on "delivering an agreed solution to OZ Minerals."

The blocked bid leaves debt-laden OZ Minerals in a difficult situation as it tries to extend A$1.1 billion in loans coming due Tuesday. Banks were expected to roll over the debt for another month. The implications of Mr. Swan's decision were unclear. The miner, which has total debt of A$1.3 billion, has warned it risked being placed into receivership if the takeover bid failed.

A person familiar with the matter said the parties were aware of the property's proximity to the testing range but hadn't considered the matter a serious hindrance. The person said the property, called Prominent Hill, represents a significant part of OZ Minerals' overall value, but less than half of the company's enterprise value—a measure of the company's value that includes debt and equity.

Mr. Swan's ruling will be scrutinized for hints it might provide regarding the Australian government's approach to Rio Tinto's deal with **Aluminum Corp. of China**. That deal would give state-controlled Chinalco, as the Chinese company is known, as much as an 18% stake in the Anglo-Australian miner as well as direct stakes in a number of its mines. In return, a cash infusion from Chinalco would help Rio Tinto pay down its debt. Rio Tinto declined to comment Friday about the possible implications.

In a television interview Sunday, Australian Finance Minister Lindsay Tanner said the government's move was "not at all" a precursor to the Rio Tinto investment. "This shouldn't be seen as some kind of precedent or scene setter for a decision on the Rio-Chinalco proposition," he said.

Australia will consider a recent string of proposed deals by Chinese government-backed entities on a case-by-case basis, Mr. Tanner said. "To be honest, I don't know whether any of the Chinalco bid circumstances involve defense-weapons testing ranges, but I suspect they don't," he added.

The two deals, as well as other Chinese offers, have put public pressure on Mr. Swan and Prime Minister Kevin Rudd. They must grapple with allowing inroads by state-controlled Chinese companies as well as Australia's need for investment amid tight global liquidity and sluggish commodities prices.

Production at Prominent Hill, a copper-and-gold mine, is expected to reach 85% of capacity by midyear and full capacity by year-end. Production from the mine is expected to be between 85,000 and 100,000 tons of contained copper and 60,000 to 70,000 ounces of gold.

The Woomera Prohibited Area is roughly the size of England and was used for British nuclear tests between 1955 and 1963. Minerals exploration is possible in the area but requires a special permit.

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Ex-AOL chief nears digital job for News Corp.

By Shira Ovide

Former AOL Chief Executive Jon Miller is close to taking a new role overseeing digital strategy at **News Corp.**, according to people familiar with the matter.

Mr. Miller is expected to help coordinate digital strategies across News Corp.'s businesses, and he will oversee the company's MySpace social-networking site and its investment in Hulu, the online video site.

News Corp., which owns Dow Jones & Co., publisher of The Wall Street Journal and Dow Jones Newswires, also operates the Fox television network, cable-television channels including FX and Fox News and a stable of film studios.

Based in New York, Mr. Miller would report to Rupert Murdoch, News Corp.'s chairman and chief executive.

Peter Levinsohn, who is president of News Corp.'s Fox Interactive Media, the division that houses MySpace, is expected to take a top post in the film and TV studio, according to people familiar with the matter.

The expected appointment of Mr. Miller continues News Corp.'s overhaul of its leadership after President and Chief Operating Officer Peter Chernin said he is leaving the company when his contract expires at the end of June. Mr. Chernin has played a key role overseeing News Corp.'s entertainment and digital operations. News Corp. earlier this month combined its film- and TV-production businesses and promoted two of the company's movie executives, Jim Gianopulos and Tom Rothman, to run the business.

All of the Fox TV-entertainment networks will be folded under cable executive Tony Vinciquerra.

CORPORATE NEWS

Peugeot Citroën ousts its chief

Streiff is first CEO of major auto maker to fall in latest crisis

BY LEILA ABBOUD

PARIS—The board of PSA **Peugeot Citroën**, Europe's second-largest auto maker by sales volume, ousted Chief Executive Christian Streiff, saying a change in leadership was needed to "unlock the group's potential."

Mr. Streiff will step down immediately, and board member Roland Vardanega will run the company on an interim basis. On June 1, Philippe Varin, the former chief executive of steelmaker Corus, will take over the top job at the auto maker.

"Given the extraordinary difficulties currently faced by the automotive industry, the Supervisory Board decided unanimously that a change in the senior leadership position was necessary," said board chairman Thierry Peugeot, in a statement Sunday.

Mr. Streiff is the first major auto-sector executive to lose his job as the crisis engulfing the global industry intensifies. Car sales in Europe have fallen sharply since last summer as the recession takes hold across the Continent, sending major car makers like Peugeot Citroën scrambling to adjust.

Mr. Streiff was already in a difficult position going into the crisis. He took over the auto maker in February 2007, and immediately shook up the family-controlled company by cutting costs and streamlining the design and manufacture of new models. His brusque style earned him some internal critics, but the Peugeot family, which controls Peugeot Citroën through its ownership of about one-third of the capital and around 45% of the company's voting rights, continued to back him.

Christian Streiff

In May, Mr. Streiff had a stroke and couldn't work for several months. He returned to the job just as the auto industry plunged into its deepest crisis in decades.

In recent months, French media have run stories suggesting that some members of the Peugeot family had lost faith in Mr. Streiff's ability to lead the auto maker. The articles cited concerns about his health and his purported lack of a clear vision for the future of the company. Peugeot family members didn't respond to requests for interviews in February and March, and couldn't be reached on Sunday for comment.

In an interview at the Geneva auto show in early March, Mr. Streiff disputed the rumors that he was losing the family's support.

It isn't clear what the new leadership might mean for the future of Peugeot Citroën, which is France's biggest car maker by sales and Europe's second-biggest after Germany's **Volkswagen** AG. Like other European car makers, it has been forced to shut down factories and temporarily furlough workers in recent months to cope with the plunge in demand for its cars. But under Mr. Streiff, Peugeot Citroën gave little sign of whether the crisis was causing it to re-evaluate its core strategy of being a mass-market car ma ker.

Some analysts have argued that Peugeot Citroën should consider a merger or alliance to gain scale and reduce costs, citing Italy's **Fiat** SpA as a potential partner. Fiat CEO Sergio Marchionne fanned speculation in December when he gave an interview to Auto News Europe saying that only six global car makers would survive the crisis, and that he was looking for partners to make Fiat big enough to survive.

Peugeot Citroën didn't seem interested, although Mr. Streiff said he was always open to considering possible deals.

Shortly afterward, Fiat signed an alliance with U.S. auto maker **Chrysler** LLC. Strategic decisions about the future of Peugeot Citroën will ultimately be made by the Peugeot family. By choosing Mr. Varin as the new chief executive, the family has again turned to a manager who—like Mr. Strieff when he took the reins—has no previous experience in the auto sector. From May 2003 to January 2009, Mr. Varin was the CEO of Corus Steel, an Anglo-Dutch steelmaker now owned by India's **Tata Steel** Ltd. Before Corus, Mr. Varin, 56, worked at French aluminum producer Pechiney SA for 25 years.

Peugeot Citroën last month announced a net loss of €343 million ($456.1 million) in 2008 compared with a net profit of €885 million in 2007. Mr. Streiff said that the company could also post a loss this year.

In February, Peugeot Citroën got a €3 billion five-year, low-interest loan from the French government as part of a broader auto-industry aid package. Its French rival **Renault** SA also got a similar loan, and in return both companies promised not to close factories in France for the duration of the aid.

Before coming to Peugeot Citroën, Mr. Streiff served for four turbulent months as the CEO of Airbus, a unit of European Aeronautic Defence & Space Co. Before that he spent more than 20 years at Cie. de Saint-Gobain, a French industrial and construction company, where he rose to CEO.

U.S. nuclear-power industry set to grow again

BY TIMOTHY AEPPEL

Thirty years after the accident at Three Mile Island, the nuclear-power industry is moving ahead with plans to build a string of new reactors in the U.S., though the revival faces many uncertainties.

The crisis that erupted in the predawn hours of March 28, 1979, when a combination of worker mistakes and equipment malfunctions triggered a partial meltdown in the core of one of two reactors at a power plant near Harrisburg, Pa., was long thought to have sealed the fate of the industry in the U.S.

But rising concerns about global warming have set the stage for a comeback. Nuclear power can generate electricity without producing the greenhouse gases associated with energy sources such as coal.

This green dimension is a surprising shift from the past, when nuclear power was widely demonized by environmentalists, and is one reason public acceptance of the technology appears to be growing. A Gallup poll released last week found 59% of people favor its use, including 27% strongly in favor.

Associated Press

The partial meltdown at the Three Mile Island plant in Pennsylvania, shown this month, set back nuclear power in the U.S. for decades.

The U.S. has 104 reactors from the earlier wave of construction, which generate about 20% of the nation's electricity. Utilities have applied to build 26 new reactors, often at or adjacent to existing plants, and the Nuclear Regulatory Commission, which has to approve the plans, says the first approvals could come by 2011. Given how long it takes to build a plant, the first wouldn't come on line until later in the decade.

But the revival faces tough barriers, including high costs. Jone-Lin Wang, managing director of the global power group at Cambridge Energy Research Associates, a consulting firm, says estimates "have gone up substantially, compared to just a few years ago." A 1,000 megawatt unit could cost $6 billion to $8 billion, she says, adding that since many plans call for building twin units as part of a single project, that could push total price tags up to $16 billion.

"For some of the companies going through the licensing process, that's the same size as their entire market cap," she says, and it remains unclear whether they can secure financing.

Despite these uncertainties, the industry is growing again, particularly in western Pennsylvania—not far from Three Mile Island—a region long associated with nuclear businesses. Larry Foulke, director of nuclear programs at the University of Pittsburgh, sees it in his classrooms: Pitt created an introductory nuclear engineering class in 2006 and expected 25 to enroll. Seventy-five signed up. For next fall's class, 104 have already pre-enrolled.

Pittsburgh-based Westinghouse, which builds and maintains reactors and is now part of Japan's **Toshiba** Corp., added 1,400 workers last year to handle the influx of business, and says it will keep adding 650 a year for the next half a decade.

"The recession is something everyone is paying attention to, but it doesn't seem to be having a significant impact on us," says company spokesman Vaughn Gilbert, noting that the company inked another deal in January. Westinghouse now has contracts to build six reactors in the U.S.

It's hard to overstate the impact Three Mile Island had on the nuclear industry. Just days before the accident, the movie "The China Syndrome" opened in U.S. theaters, depicting a catastrophe at a nuclear plant. After the accident, no new applications to build nuclear plants were filed with the NRC until the recent wave began in 2007. The second reactor at the site, which was undamaged, was eventually restarted in October 1985, while the damaged reactor has remained closed.

The accident spurred sweeping changes as companies poured money into safer designs and better safety systems. The cleanup helped spark advances in robotics technology. Carnegie Mellon University in Pittsburgh built a series of robots to aid in the process. "There were a great deal of operational firsts that occurred with those robots, which opened the way for other working robots," says William L. "Red" Whittaker, director of CMU's Field Robotics Center.

A test model of one of those machines is included with other cleanup tools in a new display at the State Museum of Pennsylvania in Harrisburg, which is being unveiled Saturday to commemorate the anniversary.

Ralph DeSantis, a spokesman for **Exelon** Corp., the utility that operates Three Mile Island, says people are coming into the industry today who weren't born when the accident occurred. "They grew up watching Homer Simpson," the cartoon character who portrays a bumbling nuclear-plant worker, "but they know it's just a cartoon." Moreover, the industry is growing, offering jobs at a time of rising unemployment.

Economy & Politics

Approval from afar

Former Treasury chief applauds as Geithner grows into his role > **Page 12**

GLOBAL BUSINESS BRIEFS

Société Générale SA

Layoffs, salary cuts are set for Asia private-banking staff

French bank **Société Générale** SA has cut its private-banking staff in Asia, excluding Japan, people familiar with the situation said. A spokeswoman for Société Générale said the cut is "less than 10%," and is part of a move to "realign the company's operations in line with current market opportunities." Employees spared by the layoffs face salary cuts, the people said. Société Générale's private-banking division had about 600 employees in Asia, excluding Japan. The bank's regional private-banking operation is based in Singapore, with additional offices in Hong Kong, China, Japan and India.

OTE

Greece's main telecommunications provider **Hellenic Telecommunications Organization**, known as OTE, Friday posted a 56% drop in fourth-quarter net profit and warned that revenue would stay more or less flat in 2009. In the three months ended Dec. 31, net profit fell to €100.1 million ($135.3 million) from €229.6 million a year earlier, while revenue inched up to €1.64 billion from €1.63 billion. OTE said it had taken a €25 million charge for a special youth account for workers and a €34.8 million depreciation charge at its OTE Globe unit. For the three months, mobile revenue rose 4.3% to €844 million, offsetting a decline in OTE's traditional fixed-line voice telephony business. Last year, **Deutsche Telekom** AG reached a three-way €3.2 billion deal with the Greek government and private equity fund **Marfin Investment Group Holdings** SA to acquire 25% of OTE and management control of the company.

Fiat SpA

Fiat SpA has held a "very constructive" dialogue with Chrysler about a potential partnership, and awaits news March 31 from the U.S. Treasury about further aid for U.S. auto makers, Fiat Chief Executive Sergio Marchionne told shareholders Friday. Asked by a shareholder to comment on the state of talks that would see Fiat take a 35% of Chrysler should the U.S. government decide to provide Chrysler with financing to keep it afloat, Mr. Marchionne said that talks between the two companies are continuing. "We appreciated the exchange we had with them, we appreciated their approach to auto business, we had a very constructive dialogue," he said.

—Compiled from staff and wire service reports.

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Fashioning ways to reconstruct global finance

If money and credit are the lifeblood of the economy, then finance is its cardiovascular system. When that system fails, as it did following the collapse of Lehman Brothers last September, the results can be catastrophic.

Last week, The Wall Street Journal assembled roughly 100 of the brightest minds in finance to discuss not just how to restart the global financial system, but how to reconstruct it, so both the spectacular excesses and catastrophic failures of the past decade can be avoided. The group included financiers such as George Soros and Blackstone Group co-founder Stephen Schwarzman, prominent academics such as Nobel Prize winners Myron Scholes and Robert Engle, and former government leaders including ex-Treasury Secretary Robert Rubin and ex-Fed chief Paul Volcker. Using a deliberative process devised by The Journal, the group debated dozens of principles on which a new financial system might be constructed, and in the end adopted 20 of them, which are published in this report.

Participants were encouraged to keep their focus on the Future of Finance, but the current crisis was impossible to avoid. Treasury Secretary Timothy Geithner spoke to the group on the same day that he unveiled his plan for a new Public-Private Investment Program to buy toxic assets from the banks. There was considerable skepticism among members of the group about whether that plan would work, but also an eagerness to suggest ways of improving its odds of success.

The group also was urged to consider the problem in all its global ramifications. Australian Prime Minister Kevin Rudd, who addressed the group on its opening night, and British Prime Minister Gordon Brown, who addressed many of the participants in New York after the close, both emphasized the importance of coming up with new institutions that can manage a world with multiple, interrelated financial centers.

The participants were challenged to set aside, as much as possible, their self-interest, and consider changes that were good for the financial system and society overall. But inevitably, self-interest reared its head. When the results of the deliberations were presented to Lawrence Summers, director of the White House National Economic Council, and to Prime Minister Brown, they were offered in that spirit: While they reflect the enormous knowledge and expertise of the participants, they also, to some degree, reflect their financial stakes as well.

One underlying theme of the discussions was that, in the end, Wall Street and Main Street are in this together. The people on Main Street can't survive without a functioning finance system. And those on Wall Street can't hope to prosper until they've repaired the social rift that has been graphically demonstrated by, among other things, the outburst of public anger over the bonuses paid to executives of AIG.

As several speakers pointed out, the world today faces not only a financial and economic crisis, but also a political and social crisis. To be successful, solutions must address all aspects.

—Alan Murray

The Obama administration's strategy

Geithner on what he plans to do and why he thinks it will work

Paul Morse

U.S. Treasury Secretary Timothy Geithner spoke about the administration's plans to remake the economic system's checks and balances.

As the U.S. tries to navigate the worst financial turmoil in generations, at the helm is Treasury Secretary Timothy Geithner. Mr. Geithner spoke to The Wall Street Journal's Alan Murray about the crisis and the administration's plans to remake the economic system's checks and balances. Here are edited excerpts from the discussion.

A Tough Assignment

Alan Murray: You have been Treasury Secretary for 56—
Timothy Geithner: Years.

Mr. Murray: —days.
Mr. Geithner: Years. Years and years.

Mr. Murray: Why has it been so difficult?
Mr. Geithner: We're going through an enormously difficult, complicated financial crisis. The politics are understandably terribly difficult. People across the country are angry and frustrated, as they should be, that this economy, the United States of America, got itself in the position where enormous damage has been done as a consequence of a long period of excess risk-taking without meaningful adult supervision.

And the consequences of that are tragic because they're basically fundamentally unfair; because people who were careful and responsible, conservative in their decisions, are suffering a lot from the consequences of mistakes they were not part of.

Mr. Murray: Is this a political environment in which you can make good policy?
Mr. Geithner: That's our responsibility. That's our job. We're good at this, as a country, in finding the right balance over time.

Mr. Murray: The one question that I keep hearing over and over again is, you have these public-private partnerships. Will banks be willing to sell their worst assets into these partnerships if it means realizing a huge loss on them?
Mr. Geithner: Let me just step back for one second and describe the full scale that we're trying to confront. You know, we have a very complicated financial system. Banks play a critical role, but they're only part of our system. To get through this, we need to make sure that banks are in a position where they're enabled to provide a level of credit that's necessary to support recovery. That requires that we make capital available to them so that those who are unable to raise capital in the private markets have capital from the government as a form of insurance against a deeper recession.

But we have a much more complicated financial system than just a system that relies on banks, and banks can't compensate for the broader dysfunction, loss of capacity to run a capital market where you have a secondary market for a broader range of financial assets. So, to address that, we believe we have to provide very substantial forms of financing to help get those markets going again. This is the next piece of a series of efforts to try to bring that about.

Now, you're right that this does not involve the government coming in and buying at inflated prices a bunch of assets off the books of the banking system of the country. We've chosen not to do that, because that would have the government bear a much larger share of risk and losses than is appropriate and necessary in this context.

So, what we're trying to do instead is to use public capital to bring in private capital with some government financing to provide a market for these assets. .

Mr. Murray: What happens when one of these institutions calls you up and says, you know, at the price they're offering me, I can only sell if you put another big chunk of capital in my institution. Are you prepared to take those calls?
Mr. Geithner: We are, as a critcal part of this program, making it clear that we are going to be willing to provide capital to the system on a scale necessary so that these institutions, in the eyes of the market, will have enough of a cushion of capital even in the event of a deeper recession.

Mr. Murray: Let's look at the other side of the equation. If I'm a hedge fund and you're asking me to join with the government in this public-private partnership to buy toxic assets, and I look at what happened last week and say, well, you know, what's in this for me? I mean, if I do well, Congress may come back and tax my profits away. How do you convince them that that won't happen?
Mr. Geithner: We're not going to get through this unless the market is willing to take more risk. You know, the risk now for us is that after a long period of people taking, in some ways, too much risk that they didn't understand, they're taking too little now.

For them to be willing to take economic risks, they do have to be confident they're not going to face consistent changes in the rules of the game going forward. So that's why it's so important that we find a way to be responsive to this deep, understandable public anger that we were rewarding failure, not success.

Mr. Murray: As I understand these public-private partnerships, in a way it's a bit of a one-sided bet. The taxpayer is taking on more risk, right?
Mr. Geithner: Relative to what? The two alternative paths available for us—one is to let the system stay where it is, to hope over time the system simply can grow its way out of this. And that will leave us vulnerable to a longer period where you have periods of wrenching, damaging deleveraging by the financial system that sucks more oxygen out of the economy and recovery. Or you can have the government itself come in and purchase these assets and own all that risk.

That would leave us in the position where the government is taking risks it does not understand, cannot manage effectively, highly vulnerable to overpaying for those assets, and charge that we're giving a disguised subsidy that's unjustified to those institutions.

And that's the balance we're trying to strike. We're trying to find a way that minimizes the ultimate costs to the taxpayer in ways that help protect the taxpayer, and it's a difficult balance.

Mr. Murray: And you've got to convince the public that if somebody in this room makes a lot of money in the process, that's not necessarily bad.
Mr. Geithner: That's a good way to say it, and another way to say it is that to get through this we need the investment-community markets to take risk because we don't want to be in a position where we're taking on and assuming the entire burden of risk-taking in the financial [sector]—that's not healthy for our economy.

What Next?

Mr. Murray: How do you rebuild the system in a way that deals with some of the problems that have been revealed by the events of the last year and a half? What do you think are the principal issues that have to be dealt with?
Mr. Geithner: We're going to have to bring a stronger form of basic oversight with better-designed constraints on leverage applied to those institutions whose stability is really critical to the functioning of the system. We're going to have to bring a better oversight framework over the markets that are so critical to how the system works. We want to make the system less pro-cyclical so that it is dampening, not amplifying, future booms and busts. We're going to have to take a comprehensive look at consolidating and streamlining the basic oversight framework. And we're going to have to do this with the rest of the world, because unless we move with the world and bring the world to higher standards, prudential standards, the effectiveness of what we do in the U.S. is going to be eroded again.

Mr. Murray: You've also talked some about a resolution authority, some better way to unwind large institutions that need to be unwound. It almost sounds in effect like you're talking about taking over the powers of the bankruptcy courts, saying, we can decide which creditors get paid off and which ones don't. That's an awesome responsibility, isn't it?
Mr. Geithner: It is a terrible, tragic thing that this country came into this crisis with such limited tools for trying to protect the economy itself from the kind of distress that would come as the system came back down to earth. And the executive branch had very limited authority to do the things all the governments have to do in a crisis, corrected initially by the passage of the [Troubled Asset Relief Program] legislation in September. Better resolution authority will be a critical complement of that, but that's not the only thing.

We have this very well-designed system, built up in the wake of the [savings and loan] crisis that gives the [Federal Deposit Insurance Corp.] the capacity to adopt a range of approaches in dealing with a bank. No comparable framework exists for a range of other institutions, including those that are associated with the banks, that can pose broader risk to the stability of the system.

The Federal Hand

Mr. Murray: When you add all these things up, it does raise the question of, what is American capitalism going to look like when we come out this?
Mr. Geithner: I think we've got to be very careful, as we think about reform of the regulatory framework, that we don't create a whole set of new problems. But think about where we are today. Our system basically failed its most fundamental tests. It was too fragile. It was too vulnerable to shocks. It did not adequately put in place a set of checks and balances on risk-taking that had systemic consequences. And we have a great obligation to get this right.

Mr. Murray: In some ways, history suggests that in crises like these it's the political ramifications—the outrage, the public turning against markets—that last the longest. Isn't it?
Mr. Geithner: It does. But I think you want to take that frustration and channel it to a credible reform agenda that has the prospect of producing a more stable system, that preserves capacity of innovation, that still does what our markets do bettelr than anywhere in the world—taking the savings and investments of people around the world and channeling them to help finance putting an idea into a growing business.

Mr. Murray: Do you feel like you're the right person for the job?
Mr. Geithner: Do I feel like I'm the right person for the job? As I said, I believe that this is a great privilege—for me. And the president asked me to do it, and this is something you have to do. And I'm going to do it to the best of my ability.

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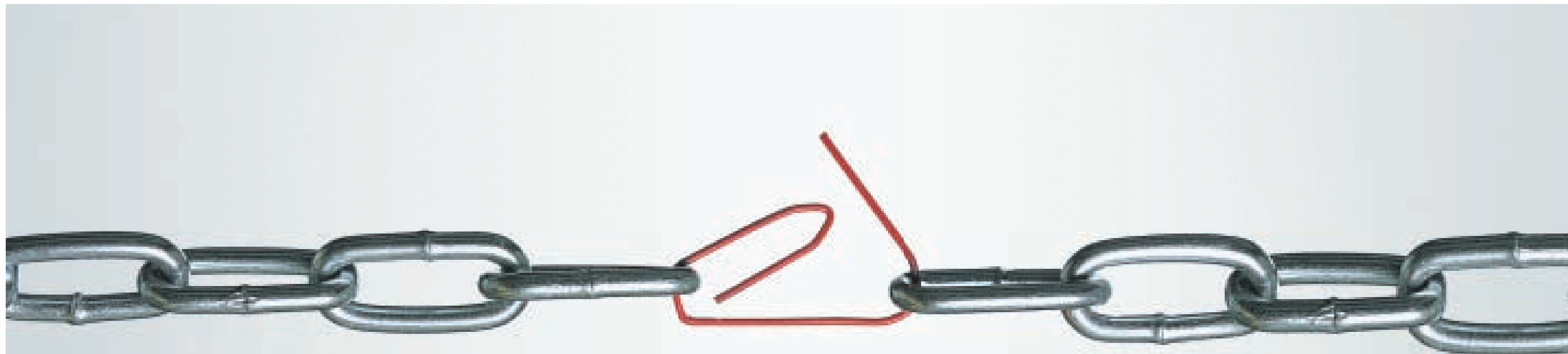
Online today
See and hear excerpts of Treasury Secretary Timothy Geithner's interview with the Journal's Alan Murray. Plus, watch video with other executives who weigh in on the AIG bonus controversy, TARP funds and financial reform, at WSJ.com/Reports



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Policy makers tackle panel recommendations

Former Fed chairman and two lawmakers on where we go now

What do the people who actually make policy think about the the suggestions from The Wall Street Journal Future of Finance Initiative?

To find out, three policy makers responded to the recommendations made at the conference.

■ **Paul A. Volcker**, chairman of President Barack Obama's Economic Recovery Advisory Board and former chairman of the U.S. Federal Reserve.

■ **Rep. Carolyn B. Maloney**, a New York Democrat who is chair of the Joint Economic Committee in Congress.

■ **Sen. Evan Bayh**, an Indiana Democrat who is chair of the Subcommittee on Security and International Trade and Finance.

What follows are edited excerpts of their comments.

Paul Morse

Paul Volcker is chairman of President Barack Obama's Economic Recovery Advisory Board and a former chairman of the U.S. Federal Reserve.

Paul A. Volcker: I've been involved and thinking about these problems for some time, and I've been struck by the breadth of the areas of seeming agreement among the various committees, governmental and private, that have looked at this.

Everybody's concerned about the systemic-risk problem and who should be the systemic regulator [as well as] problems of transparency, mark-to-market accounting, credit-rating agencies, infrastructure for clearing. And it sounds like we're ready to write the new bill for the financial system.

But beneath the seeming consensus on the broad elements of reform, there is a lot of disagreement. There's a lot of disagreement in principle and even more disagreement in detail. So there is a great kind of political pressure to get things done in a hurry, strike while the iron's hot.

I guess my principal feeling is: Not too fast, because any specific reform raises questions about how it fits into the whole system. And unless you have some idea of the direction in which you want the system to go, it's a little premature to be taking too much specific action.

I think to oversimplify, there are two broad directions you can go. One was encapsulated by a leading executive in a major bank discussing regulatory reform. He said, you've got to approach this issue this way: We're now all hedge funds, so regulate everybody across the board in a similar way. There are leverage questions or capital questions, there are liquidity questions, but don't try to distinguish between the nominal name of an institution.

The other way to look at it, which I favor, is no, there are distinctions that legitimately can and should be made, not only on institutional grounds but on historic grounds and given the present framework we have. And the one is a commercial bank-centered approach, accepting that commercial banks are going to be the core of any system. They've been regulated, they're going to continue to be regulated. We can improve that regulation. Those institutions have a fiduciary responsibility to serve the public, to serve their individual clients, to serve business, to serve governments. That's their job, and they also underlie the infrastructure.

The rest of the system I call a capital-market system. I would not consider them at the core of the system. They might be important, they innovate, they're flexible, but the implication is they don't need to be regulated to the extent of the banking system. Transparency is important. If one of those institutions gets so big they're in some sense systemically important, maybe we have to regulate them with capital requirements. Otherwise, I don't think there should be any presumption that the government is going to rescue them.

So I hope we take our time to have a kind of consensus on what the general framework of the system ought to be, and what makes sense in individual instances to put into that framework.

Rep. Carolyn Maloney: First of all, there should be transparency. Lack of transparency got us into this trouble, and you should trust the Congress and the American people at the very least to let them see what's going on. From day one, when the $85 billion was voted for AIG, we were asking to see where it went. Finally they told us who the counterparties were. They told us the reason we bailed out AIG was for a systemic risk. Well, how do you know it's systemic risk if you don't even know where it went?

And when it came forward, it showed that the counterparties were municipalities, foreign governments, some financial institutions that have publicly said they don't want money [from the federal Troubled Asset Relief Program], they're completely solvent, leave them alone, they're fine. So my question is, why are we bailing them out if they say they don't even want it? And I would question if you started bailing out every municipality and foreign banks, we would be insolvent very quickly. So we certainly need criteria of what is systemic risk and what is not.

I would argue that some of them are not systemic risk and we could have handled it in a way that was more cost-effective.

Congress is not going to act quickly. Congress is going to be very slow and deliberative, and listen to the private sector and move cautiously. We first are looking at, how did we get into this? There was certainly a breakdown in regulation in both the private sector and in the public sector.

Sen. Evan Bayh: Number one, we have to align risk-taking with both rewards and costs. Whenever you decouple those things, you end up with perverse decision making. And this happened in so many different aspects of our financial system, starting with mortgage lending.

The people who were providing the mortgages were paid on the basis of the volume of the loans they were putting out the door, rather than the accuracy of the credit-worthiness of the people they were lending money to.

I gather there has been a lot of discussion of systemic risk or of the phenomenon of "too big to fail." I think that is exactly appropriate. How do you define it? Therein lies the challenge because we must.

So how do we maintain the private marketplace as the most efficient allocator of capital on the one hand, versus having some limits for risks that are so large that if they go badly, it goes way beyond simply wiping out the private parties that are involved, but implicates the broader national or, indeed, global financial interest. That is something we have got to give a lot of thought to because it is going to have some profound consequences however we deal with it.

Third, and I am a little less sanguine about this, there are some fairly substantial imbalances in terms of global financial flows. We are seeing some of this corrected by the downturn in the economy in terms of the American consumer saving a little bit more, which exacerbates our problems in the short run. In the long run, it is a good thing.

So how do we go about realigning the global economies in ways that are sustainable without just going back to the previous economic models? Because different countries look at their interests differently, I am not quite as optimistic that that will happen. But it needs to happen or we will have a recurrence of what we are going through right now at some future date in simply another form.

A call to action

The top 20 principles for rebuilding the financial system, as developed by participants in The Wall Street Journal Future of Finance Initiative.

1. Strengthen underwriting standards
Bank management and bank examiners must enforce the banks' minimum underwriting standards, focused on the borrowers' ability to repay debt from income. Extend supervisors' authority beyond banks to mortgage brokers and other bank agents. Ensure national real-estate appraisal standards.

2. Bolster FDIC
Bolster the Federal Deposit Insurance Corp. and provide it with additional funds and flexibility so there is capacity to handle escalating bank failures.

3. Regulatory overhaul
Streamline the regulatory architecture so there is more effective and consistent regulation across financial services and an end to regulatory arbitrage. Improve effectiveness of regulators. Provide them with better training, pay, status and resources. Specific industry experience desirable. Testing, licensing and continuing education required.

4. Create a new clearinghouse
Create a clearinghouse to enhance transparency for standardized credit-default-swap contracts, including individual corporate names and indexes. The clearinghouse would also extend to overnight financing and interest-rate swaps.

5. Raise capital requirements
Writers of credit-default swaps should face higher capital (reserve or margin) requirements. Banks heavily involved in the CDS market should face a further surcharge for concentration risk.

6. Enhance collateral
Enhance collateral requirements on over-the-counter derivatives to protect the system. To minimize the effects of financial-institution failure, regulators should segregate customer collateral in the event of a bankruptcy by a firm involved in the credit-default-swap market.

7. Smarter securitization
Improve disclosure in securitization, improve underwriting standards, require all parties in the process to have "skin in the game." Create meaningful standards for transparency of financial flows in all instruments, and make the information available in an easily accessed form.

8. Rating-agency reform
Eliminate special status of rating agencies. Reform pay structure for rating agencies to align incentives better so they are paid over time as their ratings prove to be accurate.

9. Consistent regulatory system
Include nonbank financial institutions under regulatory umbrella and require them to provide information to the systemic regulator. Regulation should be risk-based. Firm-specific information should be private, and only aggregate information made public.

10. Constrain leverage
Limit leverage across large, systemically important financial institutions, and enhance capital requirements for certain products. Be clear about how risk gets measured for purposes of leverage and capital requirements.

11. Let TARP capital be repaid
Make regulators explicitly state conditions for the repayment of money to the Troubled Asset Relief Program.

12. Executive compensation
Limit the government role in executive compensation to companies where the government has a stake. Companies should be sure executive compensation provides the right set of incentives.

13. Transparency before regulation
Systemic-risk regulator should require all firms first to provide information. Regulation should be limited to those deemed to pose a systemic risk. Intermediaries with sufficiently long investor lock-ups and sufficiently low leverage relative to risk should be granted a safe harbor from regulation. Regulator should publicly disclose cross-industry liquidity and concentration risk.

14. Price and volume transparency
The industry should publish price and volume data on over-the-counter derivatives.

15. Fed should be systemic-risk regulator
The Federal Reserve should be the systemic-risk regulator of nonbank financial institutions. It is important that the regulator be independent and apolitical. We recommend using private-sector advisory bodies. In order to take on these responsibilities, the Fed may have to reallocate some responsibilities to other agencies.

16. Ensure success of public-private partnerships
To improve the chances that the Public-Private Investment Program works, the government should recognize that many sellers of these assets are reluctant because of the impact on their balance sheet, and should allow for regulatory forbearance on capital requirements or accounting flexibility.

17. Accounting rules
Have a sensible set of accounting rules to reflect value for financial reporting and capital purposes.

18. New resolution authority for nonbanks
Create an FDIC-like model for winding down nonbank financial institutions that pose system risk. Adopt global standards for determining how different classes of creditors are treated.

19. Auditors enforce consistent marks
Encourage disclosure of disparate asset marks, by asking auditors to raise instances of price discrepancies among clients.

20. Limit foreclosures
More efforts to limit foreclosures through interest and principal reductions, rent-to-own and other creative solutions. Create a new federal agency with sufficient resources to limit foreclosures. Force banks to identify potential troubled borrowers.