

Interview

Straight Talk

An Interview with Leo Hindery, Jr.,
Managing Partner, InterMedia Partners, New York



Leo Hindery

EDITORS' NOTE Until October 2004, Leo Hindery was Chairman (and until May 2004, CEO) of The YES Network, the nation's premier regional sports network, which he formed in the summer of 2001 as the television home of the New York Yankees. In 1997, Hindery was appointed President of Tele-Communications, Inc. (TCI), then the world's largest cable-television distribution and programming entity, and in 1999, he became CEO of AT&T Broadband, formed by the merger of TCI into AT&T. He assumed his current role in early 2005. Hindery is chair of the Horizon Project, a business and policy leaders group recently formed to develop economic and domestic policy legislative recommendations for the 110th Congress, and an active board member for a wide range of philanthropic and political organizations. He is a graduate of Stanford Business School and of Seattle University.

COMPANY BRIEF Based in New York, InterMedia Partners is a private equity investment firm that makes control investments in media companies. Currently investing its seventh fund, InterMedia is focused on media content catering to underserved audiences.

Do you think the U.S. is on the right track to achieve sustained economic growth? Are the conditions there to foster that growth?

In the last six years, the nation's economy has grown by \$3.4 trillion, which is not much in the scheme of things. Over that same pe-

riod, household indebtedness has increased \$6 trillion, and the federal deficit has grown \$3 trillion. Clearly this economy is not on the right track, and debt-fueled economic growth is unsustainable.

Globalization has not occurred as advertised, despite the fact that almost every country is and should be comfortable with its relative advantages being emphasized and its economy and labor force composition adjusting accordingly. It is not the premise of globalization which is flawed, but rather its implementation. Relative advantages and relative disadvantages are appropriate considerations in balancing trade and jobs. However, the implicit demand for fairness and equity around globalization has not always been realized, and the U.S., like other nations, is experiencing the ravages of unfair subsidies and labor and environmental practices by certain of its trading partners that are skewing outcomes and causing real long-term economic damage.

None of the world's mature economies are saying "no" to globalization. What they are saying is, "We can't accept unfair labor, environmental and subsidy practices because they distort outcomes to the unacceptable detriment of our citizens." Some of our major trading partners are abusing the system, but we're not holding them accountable for those abuses. We don't argue about the adverse impacts on employees in the United States and on our own economy, and we need to. And in doing so, we need to remember that protecting jobs is not protectionism.

What is your outlook for Chinese-American trade relations?

In a word, "dismal." I think that U.S. companies' abilities to prosperously trade with China are being dramatically retarded by China's very closed business and trade practices. The Chinese are not comfortable with letting American manufacturers produce products for Chinese consumers, but they are keenly interested in their goods and services coming to America, which is an unacceptable imbalance. The annual trade imbalance between the United States and China is now a staggering \$235 billion, or a full 30 percent of our overall \$765 billion trade deficit, which itself includes about \$250 billion of energy imports. However, since our trade imbalance with China is 100 percent non-energy, this massive \$235 billion deficit is even more unacceptable. And I see nothing on the horizon that says it's going down from here.

How about India?

India is much less concerning to me as a trading partner in an aggregate-dollar sense, with an imbalance vis-à-vis the U.S. of only about \$12 billion, but what is concerning is that, as with China, the negative Indian trade balance is increasingly comprised of services which we thought would stay here in the U.S. One of the premises of globalization as it was presented by what I call the "unbridled free traders" is that growth in high-quality services would be a major offset to lost manufacturing, which would have been an important salve had that been the case. But in fact, in just the last six years, the United States has lost overseas three million manufacturing jobs and two million service jobs. I am very concerned when U.S. manufacturing jobs are lost, because I don't think we do a very good job in this country of reacting to the retraining and other needs of the women and men who have lost their manufacturing jobs. And if we're also losing service jobs at roughly the same rate, we can never get in balance. This combination is greatly draining our economy and sapping the vibrancy of our nation's middle class.

Is education the answer to getting back on track and remaining competitive in terms of jobs?

In education, we need two things desperately: first, we need to embolden the teaching profession by increasing the compensation that teachers receive and by making it a more desirable career path for our best students coming out of college; and second, we need much better facilities than we have today. One of the great frustrations I have about some of our policy and business leaders in this country is that they very casually say, "When all of you fix education, then job losses will cease and everything will be just fine." Yet we know that fixing education would take many years even if we had carte blanche and unlimited money – which we don't. Do I hope that best practices are pervasively adopted, that talented individuals are attracted to education and focus on driving outcomes, and that those of us who have skills will volunteer them? Yes, I do. But the reality is that we have a very, very sick public school system which requires attention from all levels of government – federal, state and municipal – and until the system is cured, we as a nation have to be much more sensitive to the tragedies of off-shored and deteriorating-quality jobs and of chronic underemployment.

And what will it take to fix health care? The debate is ongoing, but what can be done to improve the situation?

Not enough is being done, that's for sure, which is tragic, because the greatest burden on business and the greatest impediment to restoring U.S. competitiveness is our broken and inefficient health care system. And yet I am dismayed that corporate leaders aren't leading the charge when it comes to reforming health care. For example, almost everybody understands the grave challenges which the U.S. automobile industry faces today, and yet Detroit's CEOs have been largely silent when it comes to demanding health care reform at the federal level. Where were they in the 2004 presidential campaign or in the 2006 campaigns when progressive candidates were saying we need to dramatically reform health care? Most of the nation's manufacturing companies are reeling from health care's ever-rising costs and inefficiencies, and the nation's economy is reeling from having 48 million uninsured Americans and millions more who have seen their health care deteriorated – and American industry in my opinion has been far too passive in helping find meaningful solutions.

Is it realistic to think that we can take politics out of the issues we have been discussing and truly make some changes?

A lot of us remember fondly a time when if you were a Republican and a Democrat won or vice versa, it didn't mean that you would ignore issues like jobs, health care, energy, education, and fairness in the workplace. And it is beyond distressing that fundamental economic and scientific issues have become so politicized. For example, one of the great tragedies in the country today is that global warming is now a Republican versus Democratic issue, when it should be strictly a scientific issue. You should either believe in the stated science or disagree with it. In turn, you should either believe that health care in America needs dramatic reforming for the good of the country or you should disagree. But it shouldn't be that Republicans are against addressing global warming and health care reform and Democrats are for doing so. It shouldn't be that Democrats want to fix the public school system in this country at a fundamental level and Republicans only want to talk about vouchers. I don't know why Republicans and Democrats can't go back to fighting largely about their respective senses of foreign and fiscal policies – which is what Eisenhower mostly argued with Stevenson about, and what Nixon mostly argued with Kennedy about. What we have done instead is politicize fundamental economic and scientific issues in ways that are just killing this country, and that's a tragedy.

Are enough business leaders banding together, to speak with a unified voice, about improving today's state of affairs?

Action is not taking place, which I think is a crying shame. The Business Council used to speak comfortably for most of the business community, and it doesn't anymore. Now it speaks only for big business and for the management class. In 2004 the Council formally stated that shareholder responsibility was the only responsibility that should have business's

attention, and I couldn't disagree more. I think that we have to quickly get back to an environment where as business leaders we believe we have concurrent and equal responsibility to multiple constituencies. Reginald Jones, G.E.'s esteemed CEO in the '70s, was, by anybody's measure, an exceptional CEO when it came to shareholder responsibility, but he outspokenly linked that responsibility to his equal responsibilities to employees, communities, customers, and the nation.

We need many more CEOs like Mr. Jones, of course, but we may also need more initiatives like the Horizon Project, of which I have the privilege to be the chair. The Horizon Project is a group of eleven CEOs and policy innovators from a variety of sectors who are committed to addressing our nation's global competitiveness concerns in ways that better protect the middle class and their jobs and fulfill the country's commitment to economic and social fairness. Our legislative recommendations, recently presented to the Policy Committees of Congress, cover the four areas of trade and economic growth, education, health care, and public infrastructure, and they are a series of actions which we believe can be initiated today to stave off the further erosion of our nation's competitive advantages.

Are the days of the great CEO over? What's your perception of CEOs today?

I remember very fondly the days when we never debated the fairness of executive compensation, because for nearly a century executive compensation in this country was for the most part extremely fair. I remember fondly never having to argue that CEOs had responsibility to others than their shareholders. I remember amazing CEOs who prided themselves on the fairness of their personal compensation and their sense of and attention to multiple responsibilities. But now it is impossible to pick up a general distribution periodical and not read that the body politic believes we have some serious problems on our hands – heck, even the president of the United States had to recently call attention to the imperative of tying compensation to results, which should be obvious.

Do you think regulations like Sarbanes-Oxley do more harm than good, in terms of the way they might keep business leaders from taking risks or developing their visions for their companies?

Rather than worrying about how much time is being spent on compliance, I think we need to figure out why there has been so much non-compliance and mis-behavior that we so clearly need regulations like Sarbanes-Oxley. The only reason we have anti-jaywalking statutes in this country is because so many people jaywalk, and the same is true about business regulations. People say we don't need Sarbanes-Oxley, and then I pick up newspapers and read almost every day about the pandemic of back-dated stock options and criminal executive compensation practices. And if I read one more editorial that says that New York Attorney General (cum Governor) Eliot Spitzer overreacted to business crimes, I'm going to scream, for the truth is that he saved the general population of this country from some terrible abuses.

Do you think the American public has enough of an understanding of the good

that corporations do, that there is in fact in many cases a strong sense of corporate social responsibility?

It absolutely breaks your heart when the many good things that American businesses are doing are being masked by these misbehaviors. For example, "Big Pharma" has been unbelievably generous in donating vaccines and AIDS and HIV treatments. General Electric among others has been doing some amazing things to combat global warming, and when it comes to retailer responsibility Costco, with its enlightened sense of responsibility to employee welfare and community involvement, is the antithesis of Wal-Mart. It's a shame when the front pages of the nation's newspapers are devoted to the backdating of options and to excessive executive compensation. But it is a bigger shame when the *Wall Street Journal's* editorial page defends Bob Nardelli and his outrageous grossed-up severance package, rather than decrying it. As long as business and its publications of record do not hold business leaders accountable for misbehaviors and excesses, then business loses credibility, and it loses the opportunity to inform the American public about the many good things that it is, in fact, doing.

It seems that many very talented people don't want to get into politics or public service because of the impact it will have on their personal lives. Does that concern you?

We ask people who want to get involved in politics to pay too severe a price in terms of lost relative compensation and public attack. I think politics is too personal and too dirty right now. It takes a great deal of conviction and courage to jump into that at any elected level. And on the non-elected level, too many people simply can't earn the money they need for themselves and their families with the salaries that are paid. In the same breath, however, I will tell you that it saddens me to hear young people going into business schools today cite high future compensation as their primary motivation for going into business. People used to go into business because it fit their skill set and because they thought they could make a difference there. Now far too many of them tell you that they just want to make a lot of money, which is pretty darn shallow.

Many of these problems you mentioned take a long time to fix, even if people are on the same page. Does that make it difficult to be optimistic?

It's quite tough, although I was encouraged by the 2006 mid-term elections which saw the body politic wake up in many races and say, "We need to pay much more attention to the economic and social issues confronting the American middle class." I will give you a definitive answer about my optimism after the 2008 elections, but if we obviously get back to a sense of politics and economics that believes in a vibrant middle class that grows from the bottom up – if that's the outcome of the 2008 elections – then I'll be very optimistic. But if we reinforce the perspective that what's good for the top 1 to 5 percent of society is what's good for the country, then I will be very disappointed. ●